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By- Harbison, Frederick H., Ed.; Mooney, Joseph D., Ed.

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Over 100 representatives of business, labor, government agencies, and educational and research institutions attended the second Manpower Symposium from which these papers and discussion summaries were compiled to encourage efforts by those evolving manpower policy to shape a comprehensive national strategy for the effective development and full utilization of the nation's human resources. The papers (1) "Theory and Measurement of Labor Shortages," by A. M. Ross, analyzed the problem of emerging manpower shortages, (2) "Manpower Policy, Poverty, and the State of the Economy," by J. A. Kershaw, explained the problem of persistent manpower surpluses, (3) "The Wage-Price Issue and the Guidepost," by R. M. Solow, dealt with the role and purpose of the President's Wage-Price Guidepost, (4) "Jobs for the Hard-to-Employ in Private Enterprise," by F. H. Cassell, focused on the myriad of personnel problems arising when a firm hires the disadvantaged, (5) "Teenage Labor Problems and the Neighborhood Youth Corps," by J. D. Mooney, viewed particularly the disadvantaged teenager, and recommended that the content of programs such as the Neighborhood Youth Corps be made a function of the unemployment rate in the local area, and (6) "Coordination among Federal Programs," by R. T. Robson and G. L. Mangum, dealt with the current state of coordination among manpower programs and its influence on program effectiveness and costs. (SL)

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CRITICAL ISSUES IN EMPLOYMENT POLICY

A Report of
The Princeton Manpower Symposium
May 12-13, 1966

Edited by
Frederick H. Harbison
Joseph D. Mooney

A Joint Project
of
The Industrial Relations Section
Woodrow Wilson School of Public and International Affairs
The Princeton University Conference
Princeton University

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Princeton, New Jersey, U.S.A.

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FOREWORD

When the first Princeton Manpower Symposium was held in May 1965, the unemployment rate in the United States was in excess of 5 percent of the labor force. The seminar concluded that, while it is important to look at unemployment in broad aggregate terms, it is essential to recognize that existing labor market institutions do not function "perfectly" and that selective manpower policies have strategic roles to play.*

In May 1966, when the second symposium was held, the unemployment rate had dropped below 4 percent and the prospects for its further decline were promising. Through expansion of aggregate demand, the general problem of unemployment had been greatly alleviated. Labor shortages in a few areas and in some occupations were beginning to appear. Yet, the problems of unemployment of disadvantaged persons were still persistent; new problems of coping with shortages had arisen; and consideration of appropriate selective manpower policies had become even more urgent.

This volume, *Critical Issues in Employment Policy*, contains the papers and a summary of the discussion at the second Princeton Manpower Symposium. It is being made available to members of Congress, employers, labor union leaders, government officials and university and research personnel who are concerned with evolving manpower policy in the United States. We hope that it may be useful in encouraging efforts to shape a comprehensive national strategy for the effective development and full utilization of the nation's human resources.

At this time we would like to thank all those who contributed papers, who performed as discussants, and who participated in the various sessions.

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* The papers and discussions were published in *Unemployment in a Prosperous Economy*, Industrial Relations Section, Princeton University, Princeton, New Jersey, 1965.

Foreword

The next Princeton Symposium, to be held in May 1967, will be devoted to the theme: "The American System of Social Insurance—Its Philosophy and its Impact."

Frederick H. Harbison
Director, Industrial Relations Section
Princeton University

July 1, 1966
Princeton, New Jersey

CRITICAL ISSUES IN EMPLOYMENT POLICY

1

SUMMARY AND CONCLUSIONS

Joseph D. Mooney

The first two papers delivered at the 1966 Princeton Manpower Symposium dealt with two crucial but very different aspects of the current manpower situation in the United States. Arthur Ross, the present Commissioner of the Bureau of Labor Statistics, analyzes the problem of emerging manpower shortages whereas Joseph Kershaw, Assistant Director of the Office of Economic Opportunity, examines the problem of persistent manpower surpluses. Both problems, emerging shortages and persistent surpluses, are occurring simultaneously in the American economy today.

Ross sets forth an analytical framework within which he examines the nature and causes of labor shortages. A distinction is drawn between a general labor shortage and a specific occupational shortage. A truly general labor shortage is characterized by a depletion of manpower reserves. Such a situation occurred in 1943 during World War II. Under these conditions of a general labor shortage, it is impossible to maintain the previous volume of employment. According to Ross, a less extensive type of general labor shortage takes place when there is an "exhaustion of labor reserves to the point where further increases in employment could be achieved only in line with net growth in the labor force." At this point, the level of unemployment could be construed as the irreducible minimum level. At the present moment, Ross estimates this unemployment level to be somewhere between 2 percent and 2.5 percent.

Short of a general depletion of manpower reserves, labor shortages are usually localized in specific occupations, industries, and geographical areas. Specific labor shortages are usually caused by one or more of the following: (a) rapid increases in demand; (b) chronic occupational insufficiencies;

(c) concentration of employment increases in certain areas or industries; (d) unresponsiveness of the wage structure; (e) inadequate personnel policies.

After examining a number of statistical indicators of labor shortages such as unfilled orders, overtime, turnover statistics, and productivity estimates, Ross concludes that there is evidence of a gradual tightening which usually occurs when the level of demand rises sharply. However, there is little or no evidence to indicate that we are faced with a general exhaustion of manpower reserves. Ross urges that an adequate program for collecting and analyzing job vacancy data be undertaken. He feels that this would be the most important step which could be taken to identify genuine manpower shortages and pave the way for remedial policies.

Joseph Kershaw, working the other side of the street, argues that a public employment program is necessary in order to "mop up" the remaining pockets of surplus labor even when the unemployment rate is between 3 percent and 3.5 percent. Kershaw demonstrates that the unemployment rates for nonwhites and teenagers remain very high when the overall national unemployment rate is at the 3.5 percent level. Furthermore, he claims that unemployment rates by region fall very unevenly as the national unemployment rate falls. Drawing on information gathered by a special census of the Watts area of Los Angeles in 1965, Kershaw reports that the Watts unemployment rate in November 1965 had fallen only slightly from its 15 percent level in 1960. He concludes that "if the situation in Watts is typical of that in Harlem and in other ghetto areas, we have a serious problem on our hands."

What are the advantages of a public employment program? Kershaw provides a number of answers. In terms of winning the "war on poverty," public employment has the dual virtues of providing income directly to the poor and providing them with jobs. In addition, a public employment program would provide jobs designed to satisfy unfilled public needs in the health, education and law enforcement areas among others.

Finally, a public employment program which provides subprofessional jobs to the poor in a tight labor market may relieve some of the pressures on certain bottleneck occupations, such as those in the medical field, and thereby reduce inflationary pressures.

According to Dr. Kershaw, a public employment program could take the following form. The Federal government could contract with local or state agencies or private non-profit institutions, agreeing to pay 90% of the wage (presumably the minimum) of any additional individuals employed. There would be no constraint compelling institutions to employ only poor people, but the presumption is that the hiring would in fact be done in poor areas of cities or rural areas.

Although it is not normally regarded as an employment policy issue, the wage-price question was deemed to be such a pervasive consideration in any thorough discussion of current employment policies that a session of the symposium was devoted to it. Professor Robert Solow's paper deals with the role and purpose of the President's Wage-Price Guideposts. Solow states that "the guideposts were designed to cope with the problem of unacceptably fast increases in money wages and prices in modern mixed capitalist economies even while there is not general excess demand." The tendency toward unacceptably fast price increases even when there is not general excess demand stems in part from the fact that there are market imperfections (i.e., deviations from some competitive norm) on both the labor and corporate sides. On these grounds, Solow contends that the main effect of the guideposts was intended to be an educational one. Ideally, the guideposts would be regarded by all those involved in wage and price decisions as a summary picture of how wages and prices would behave in a fairly smoothly functioning competitive market economy subject neither to excess demand nor to a major deficiency of demand.

Solow maintains that the guideposts were not expected to have any major role to play either under conditions of generalized excess demand or under conditions of substantial slack in the economy. He states "when demand is slack prices police themselves and when demand is excessive in broad sectors of the economy, it is idle to believe that the price level can be talked out of rising."

After examining wage rate changes and changes in the wholesale price index between 1962-1965, Solow finds that these changes are smaller than those which would have been predicted on the basis of an aggregate Phillips type analysis of post-war experience prior to 1962. Here Solow is drawing upon the work done in this area by Professor George Perry of the University of Minnesota. Solow concludes by saying that, although he cannot attribute these shifts in behavior solely to the influence of the guideposts, there is no reason why they could not be so attributed.

Finally, Solow suggests that it might make more sense to express the guideposts within a fairly narrow range, say, 3.0 to 3.5 percent per year. This would serve two purposes. First, it more nearly expresses the uncertainty in any estimate of the trend increase in productivity. Two, it would permit the outcome to be nearer the bottom or the top of the range, depending on "market forces." Under these conditions, even a steady price level would then permit some drift in the distribution of income.

The third session of the symposium focused on special employment problems of the disadvantaged. Mr. Frank Cassell, on leave from the Inland Steel Company and now Director of the Bureau of Employment Security, talked about the myriad of personnel problems which arise when a firm hires those who are disadvantaged for one reason or another. The paper by Joseph D. Mooney deals with two problems—the general one of teenage labor problems and the more specific one of the capacity of the Neighborhood Youth Corps to deal with these problems.

In his discussion of the problems encountered by private industry when they hire the disadvantaged, Cassell makes several cogent points. First, he points out that the training of personnel people in private industry is attuned to identifying the advantaged portion of the work force and the selection of the fittest. This is generally true of the Employment Service also. Therefore, Cassell concludes that if reaching the disadvantaged is a goal of our society, then nothing less than a revolution in the thinking of personnel people is required. Secondly, Cassell singles out the important role of a new actor on the personnel scene—the "job-developer." The job-developer's role is to persuade employers to hire the hard-to-employ—those applicants whom in the past they would not consider at all. Cassell states that the job-developer can only be effective if he receives some cooperation from the personnel people, but it is at this point that a conflict arises. The personnel man is judged on the basis of the quality of the people he hires. Thus he is reluctant to hire the disadvantaged and hard-to-employ. According to Cassell, this situation can be rectified only by assistance from the top of the company.

After urging that pre-employment training for many of the disadvantaged be expanded and that on-the-job training programs also be expanded, Cassell reminds us that while we focus attention on what to do about the disadvantaged and hard-core unemployed, training and education are necessary also for the job-market intermediaries who guide, counsel, employ, teach and train them. In other words, there is need for massive education for all of us concerned with eventual employment of the hard-to-place, the disadvantaged, and the poverty stricken.

The second paper, by Joseph D. Mooney of Princeton University, focuses on the working teenager, particularly the teenager from a disadvantaged background. After examining the national data on teenage unemployment over the last five years, Mooney concludes that there is some evidence that the teenager's unemployment situation, especially the non-white teenager's, has undergone a "structural worsening." For example, he reports that the non-white male teenage unemployment rate (ages 14-19), which was 3.7 times the national unemployment rate in 1961, had risen by February 1966 to 6.4 times the national unemployment rate. Over the same period, the non-white female teenage unemployment rate had risen from 4.0 times to 7.4 times the national unemployment rate. In the light of the persistently high unemployment rates of non-white teenagers and the rapid increase in the teenage population group, Mooney concludes that special programs for teenagers will be necessary for some time into the future.

In the second half of Mooney's paper, the results of two studies of the Neighborhood Youth Corps in Newark and Trenton, New Jersey are presented. The objective of these studies was to assess the impact of the out-of-school Neighborhood Youth Corps on the work habits of the enrollees (while in the program) and on the enrollees' post-program work experience. Among the many findings which emerged from these two studies were the following: (1) Sex of the enrollees played an important role in determining success. Girls consistently performed better than boys. (2) The job itself was an important factor. Enrollees who worked on jobs with a sizeable training component (e.g., auto mechanic or lab assistant) performed better on the average than those enrollees who worked on jobs with a small training component (e.g., park workers). (3) The role of the work supervisors was also of some importance in the success or lack thereof of the enrollees. Enrollees who had work supervisors who took the time to attempt to inculcate skill training consistently did better than those enrollees who had work supervisors who exhibited a minimal interest in the enrollee.

Mooney also found that the provision of jobs by the Neighborhood Youth Corps had the external effect of reducing the arrest rate among youth in these two cities. The data on arrests of youth in the city of Newark show a sharp decline between 1964 and 1965. This decline in the arrest rate of youth was occurring while the arrest rate of young adults was continuing its long-run upward trend.

Mooney concludes by recommending that the content of a program such as the Neighborhood Youth Corps be made a function of the unemployment rate in the local area. He states that the provision of make-work jobs for teenagers is a perfectly valid anti-poverty and anti-recession program when the unemployment rate is high. However, in a tight labor market it is difficult to justify a public employment program which competes directly with the private labor market for a scarce resource, manpower. Mooney urges that the program increase its enrichment component (i.e., remedial education and/or vocational training) and reduce the absolute number of jobs which it makes available, as the unemployment rate falls. If the unemployment rate should rise, the program could revert to its original form, reduce the training component of the program, and increase the number of available jobs.

In the final paper of the symposium, R. Thayne Robson, Executive Director of the President's Committee on Manpower, and Garth L. Mangum, former Executive Secretary, National Commission on Technology, Automation, and Economic Progress, deal with the currently important topic of coordination among federal manpower programs. Robson and Mangum state that "it is typical of the ad hoc and pragmatic nature of the American political system that each piece of legislation was put together discretely with little attention to interrelationships with other manpower legislation. Furthermore, pieces of each program as well as competing and cooperating programs are scattered throughout the departments and bureaus of the Federal landscape."

The important question to which Robson and Mangum address themselves is the following: How does the current state of coordination among manpower programs influence their effectiveness and cost? They examine the problems of coordination at three levels: (1) coordination in program content—in the design of programs and in the clientele to be served, (2) coordination among federal agencies engaged in the administration of related programs, and (3) coordination at the local level, among federal, state, local and private agencies. They limit themselves to programs designed to assist those disadvantaged either in society or in labor market competition.

In their discussion of problems encountered at the level of coordination in program content, Robson and Mangum claim that the only Federal program now in existence which provides under one roof a whole complex of services to its clientele is the Vocational Rehabilitation Administration. It is the only federal program which approaches in concept the ideal of an integrated manpower program. They go on to say that the multiplicity and complexity of existing programs raises at least two questions: (1) Why do we have diverse, specialized programs rather than a single general manpower program of a comprehensiveness similar to Vocational Rehabilitation, and (2) Does the diversity aid or impede the development of a comprehensive package to meet the needs of a particular individual or client group. Messrs. Robson and Mangum do not claim to have definitive answers to these questions but feel that they should be subjected to much closer scrutiny than has been true in the past.

In their discussion of coordination of manpower programs at the federal level, the authors cite several examples of existing coordination of programs among federal departments. Liaison personnel, interagency committees for specific programs, and informal contacts between key personnel are just a few of the forms which this burgeoning coordination takes. In the authors' view, coordination is regarded as a partial solution to a few poorly defined problems. These problems are: (1) the panoply of programs and agencies, (2) bureaucratic competition, (3) overlap and duplication, (4) information problems, (5) the persistence of the conditions that led to the creation or expansion of the programs.

Lastly, Robson and Mangum examine the issue of coordinating manpower programs at the local level. In their view, the pertinent questions at the local level are: (1) Are the federal programs organized in the best way to provide the intended assistance, (2) Is the local community capable of receiving and using the assistance effectively? The authors feel that the preferred approach would be for the federal government to promote local human resource planning, provide technical assistance in that planning, and unify itself to present to the community a common and readily identifiable source of resources and advice. The community must respond by initiating some community-wide planning in the human resource development area.

The broad range of topics covered by the papers delivered at the 1966 Princeton Manpower Symposium makes it difficult to talk of a consensus reached by all the participants in the symposium. Nevertheless, there were some broad areas of general agreement. Everyone agreed that during the past year the problem of general unemployment had declined in importance and had been replaced by two related but different types of manpower problems. The first was the persistently high unemployment rates among specific groups—particularly teenagers and minority groups. A variety of programs and measures designed to cope with this problem were analyzed and discussed in some detail, but no general agreement was reached on the best possible program or mix of programs. The other serious manpower problem recognized by all was that of growing labor shortages in certain areas. Here there was general agreement that labor shortages had not reached crisis proportions and that the present difficulties could be handled by stepped-up activities of various sorts on the part of employers, employment intermediaries, and various government groups.

Another general problem recognized by all those present at the Symposium can best be stated in the form of a question. How can the rate of price increases be kept within tolerable limits as the unemployment rate falls? After carefully delineating the limitations of the wage-price guideposts, Professor Solow advocated the guideposts as the best policy tool, given the choice of realistic alternatives. John Dunlop, on the other hand, argued vigorously that, although the guideposts had been of some value in the past, they were simply incapable of coping with the present situation. He urged instead the establishment of an Office of Economic Stabilization responsible directly to the President. This new office would deal primarily with the problems of coordinating various aspects of our economic policy and would bring together representatives of government, business, and labor to devise ways of breaking manpower bottlenecks as they emerged.

It can be said in closing that at least one general and long-range feeling about the future course of America's manpower policy and programs emerged from this conference. There seemed to be the feeling that, with increased prosperity and decreased unemployment, we now have a rare opportunity to concentrate intensively on developing our human resources, especially those from disadvantaged groups. Although there was some disagreement over the most desirable amount of coordination of programs and the "optimal" mix of programs, there was general agreement that increased efforts must be made in this area and that the time for making these efforts is now.

PART I

MANPOWER SHORTAGES AND SURPLUSES

2

THEORY AND MEASUREMENT OF LABOR SHORTAGES

Arthur M. Ross

Commissioner of Labor Statistics
U.S. Department of Labor

Is there a labor shortage in the United States? The question sounds simple enough, but chronically inconsistent views of the manpower situation would seem to indicate that it is really not that simple. On the one hand, news magazines and business publications have been reporting "labor shortages everywhere" since the end of 1965. Complaints are growing louder that available workers are not usable, that costs are increasing as a result of inefficiency and heavy overtime assignments, and that high turnover is multiplying the expenses of recruitment and training. On the other hand, we in the government have insisted that a 3.7 percent unemployment rate does not show full employment and does not constitute a general labor shortage; and that substantial labor reserves are ready for use.

The current controversy is not unique by any means. The dispute over the need for bracero labor in agriculture and the perennial argument over the apprenticeship system in the building trades also reflect differing perceptions of what a labor shortage is.

My purpose in writing this paper is to clarify the elusive concept of labor shortages by discussing (1) the nature of shortages, (2) the causes of shortages, and (3) statistical indicators of the manpower situation. This theoretical treatment will be coupled with an analysis of manpower developments in 1964-66 as compared with those in previous periods of high employment.

Labor Shortages

I. *The Nature of Labor Shortages*

In economic parlance a shortage of any resource describes an insufficiency of supply in relation to demand. Manpower shortages may be prospective or present; general, or limited to certain occupations and industries; nationwide, or limited to certain areas; chronic, or temporary.

A general or universal shortage means an exhaustion of manpower reserves, so that aggregate employment cannot increase or must actually be reduced.

A prospective occupational shortage is generally described in terms of projected requirements and supply at some future date. For example, we might project that 1,000,000 nurses will be needed in 1975, but only 800,000 are in sight. The resultant deficit is 200,000, but this is not a prediction that 200,000 nursing jobs will actually be unfilled in 1975. It is a statistical shortage from the vantage point of 1966. The probability is that more nursing schools will be opened as a result of all the talk about nursing shortages, and that some nursing duties will be delegated to the patients, or performed by technicians, or automated in the meanwhile.

Actual, flesh and blood, present-day labor shortages in specific occupations, industries or localities are most meaningful when related to unfilled vacancies or job openings.

This concept of labor shortages will not apply in the case of the self-employed because ordinarily there will not be any formal vacancy where they are concerned. For example, it makes sense to say that there is a shortage of doctors in many rural areas even though there are no unfilled openings.

It may be argued that there can be shortages of wage and salary earners even though the vacancies are being filled, on the ground that inferior applicants are being accepted in the absence of the well-qualified candidates whom employers have a right to expect. But this argument begs the important question of what employers do, and do not, have a right to expect. By definition there is always a shortage of superior individuals. On the average, persons who have jobs are better qualified than persons who do not; and it stands to reason that as the unemployment rate declines, the residual unemployed naturally become less and less attractive. If the availability of candidates with average endowment, or with a customary level of qualifications, were to be the test, there would always be a shortage except when unemployment was increasing.

Needless to say, the existence of vacancies as such tells us nothing about the adequacy of labor supply. A certain number of openings will be unfilled at any point of time, no matter how adequate the supply, just as a certain number of workers will be unemployed no matter how active the demand. We are therefore speaking of vacancies which are unusually numerous in relation to normal turnover, or which remain open for abnormal lengths of time, or which cannot be filled at all.

II. *Causes of Labor Shortages*

A. *General or universal shortages*

The more extreme type of general manpower shortage occurs when depletion of labor supply makes it impossible to maintain the previous volume of employment. This has happened only once in our recent history, during World War II after 1943. In consequence of the rapid expansion of the military services, the civilian labor force declined between 1942 and 1943 despite a four million growth in the total labor force. Total employment, however, did not decline until after 1943; and the same was true of nonagricultural employment, manufacturing employment and construction employment. The number of workers in retail trade and in service industries increased a little, although many of these were part-time workers. This depletion of labor supply, together with scarcity of other economic resources, requires the most rigid control over all aspects of economic activity.

The less extreme version of the generalized manpower shortage would be marked by an exhaustion of labor reserves to the point where further increases in employment could be achieved only in line with net growth in the labor force.

Conceptually this position is about the same as one of full employment, with an irreducible minimum of unemployment covering normal labor turnover and seasonal fluctuations. We believe such a point would be reached in the range of 2 to 2.5 percent overall unemployment.

It is true, of course, that the unemployment rate went down to about 1 percent during World War II. This indicates that the "irreducible minimum" is actually not independent of the surrounding context. The 2 to 2.5 percent range would not apply under extraordinary circumstances of full mobilization, and assumes a more normal set of conditions.

During the Korean War, from 1951 to 1952, the increase in civilian employment, plus the expansion of the military services, was not much greater than the labor force growth. The overall unemployment rate was in the neighborhood of 3 percent. This might appear to indicate a situation of full employment, or a general labor shortage; but a more plausible interpretation is that a greater employment increase could have been achieved in 1952 if effective demand had required it. Statistics on working hours, labor turnover, and productivity for 1952 do *not* indicate extreme manpower pressures, and do not suggest that 3 percent unemployment was a full employment level in that year.

B. *Specific occupational, industrial, or geographical shortages*

Short of a general exhaustion or depletion of manpower reserves, labor shortages are localized in specific occupations, industries and geographical areas.

In the Spring of 1966, the occupations in shortest supply are of three types. The first includes professionals and subprofessionals such as engineers, draftsmen, physicians, nurses, medical technicians and economists. The second includes skilled metal tradesmen and construction workers—tool and die makers, machinists, machine tool operators, pattern makers, model makers, electricians, plumbers and pipe fitters, iron workers, and sheet metal workers. These professional and skill shortages are nationwide, regardless of the employment situation in particular labor areas. In the third category are poorly paid but essential service workers such as nonprofessional hospital and nursing home employees, waiters and waitresses, and laundry workers.

The most serious manpower problem of any industry is found in machinery manufacturing, particularly in the metal working branch of the industry. Construction employment has been moving up rapidly with a return of spring weather and shortages are becoming acute in the Great Lakes and Gulf Coast regions. On the other hand, California, New York, and Pennsylvania still have high rates of unemployment in construction. The industry most affected by placement of new defense contracts is aircraft manufacturing.

The classification of labor areas by the U.S. Employment Service shows a growing number of areas with unemployment rates below 3 percent, and a good many with rates still in excess of 6 percent. The tighter areas include Chicago, Detroit, Hartford, Wilmington, Washington, Atlanta, Indianapolis, Cedar Rapids, Des Moines, Cleveland, Columbus, Dallas, Houston, Milwaukee, and Richmond. Among the looser areas are Fall River and other textile centers in Massachusetts, Duluth-Superior, Atlantic City, Scranton, Wilkes-Barre, and Charleston, West Virginia. In addition the cities of Miami, Newark, Oakland, Philadelphia, Pittsburgh and San Diego have been designated as "persistent unemployment areas" for purposes of Federal procurement preference.

III. *Causes of Specific Labor Shortages*

As already noted, a general manpower shortage reflects an exhaustion or depletion of labor reserves. The causes of specific occupational, industrial, and geographical shortages are more complex, however, and require more extended discussion.

A. *Rapid increases in demand*

A rapid rate of increase in manpower demand can outrun the capacity of adjustment mechanisms in the labor market such as movement into the labor force, geographical migration, recruitment, training, upgrading, etc. Shortages can develop even though labor reserves are by no means fully utilized.

A good example is found in the 1941-42 period. As Table 1 indicates, total employment grew by about 3.5 million, and the Armed Services by another 2.3 million, between 1941 and 1942. Unemployment averaged 4.7 percent in the latter year, but the movement was too rapid to be absorbed easily. For this reason, all the recognizable symptoms of manpower pressure developed. The quit rate in manufacturing rose from 2.4 percent to 4.6 percent; average weekly hours in durable goods industries advanced from 42.0 to 45.0. Although productivity data for this period are not available, we do know that the Wholesale Price Index advanced 13 percent.

Between January and February of 1966, it appeared that the unemployment rate had declined 0.3 percent, from 4.0 to 3.7 percent. If this rate of absorption had been real, and if it had continued, there would have been much more severe manpower pressures than those we have actually encountered since February. In point of fact the 0.3 decline was a statistical quirk and did not continue.

B. *Chronic occupational insufficiencies*

Some occupations are chronically in short supply because of persistently heavy increases in demand, inadequate training facilities, excessive training periods, or some combination of these factors.

The shortage of nurses in the United States also stems from extremely heavy demand. Actually the number of nurses has almost doubled since 1950; there are more nurses per doctor, and more nurses per capita, than ever before. Changes in medical organization and technology have outrun the expansion in the supply of nurses, however.

Inadequate training systems and excessively long training periods are important factors in the persistent shortage of physicians and of skilled workers in the building trades. Traditionally the field of college teaching has been equally conservative, but Yale University is now introducing a Master of Philosophy degree (equivalent to a Ph.D. without the dissertation), to provide well-trained teachers for institutions which do not emphasize research as heavily as some of the major universities do.

C. *Concentration of employment increases in certain areas or industries*

It is self-evident that higher manpower requirements can be met more easily to the extent they are widely dispersed among different areas and industries, and that the difficulties will be greater if the impact is more heavily concentrated.

The capital boom is the principal factor in the current prosperity, and it is concentrated to a considerable extent in the Great Lakes and Gulf Coast regions. It is interesting that as late as February 1966, although 50 areas had unemployment rates of less than 3 percent, there were still 16 areas with rates of over 6 percent.

The balance of manpower demands among industries is important because various industries have separate occupational patterns and typically have recourse to different types of workers. In the recent upswing we have been favored by an unusually good balance of employment increases among major industry groups. Between March 1964 and March 1966, employment rose 8.8 percent in all nonagricultural activities, 9.5 percent in manufacturing, 7.9 percent in retail trades, 9.0 percent in service and miscellaneous activities. It is of course no coincidence that the rate of increase has been considerably higher in a few industries, such as machinery and construction, which are experiencing current labor shortages. Employment increases were much more concentrated in World War II: 14.6 percent for all nonagricultural activities between 1941 and 1944, 31.4 percent in manufacturing, 54.6 percent in durable goods manufacturing, 6.2 percent in service and miscellaneous, a decline of 0.8 percent in retail trade and a decline of 38.9 percent in construction. These changes obviously required a more difficult and painful reshuffling of the labor force than has been necessary in any of the subsequent periods covered by the Appendix tables.

D. *Unresponsiveness of the wage structure*

Wage differentials between industries almost always widen in periods of excessive unemployment, and are compressed in periods of high employment. A wage structure which is satisfactory from the standpoint of allocating manpower when 7 percent of the labor force is unemployed will not be workable when the unemployment rate drops to 4 percent or 3 percent.

Many of the lower paid establishments are in trade, service and small-scale manufacturing activities; their workers tend to be unorganized; and employer wage policies are governed by the need to attract and maintain enough workers of sufficient quality.

In times like the present, therefore, relative wage increases are greater in the lower-paid industries. This is borne out in the Bureau's recent community and industry wage surveys. Some of the low-wage establishments, however, cannot or do not make the necessary adjustments. Nonprofit social agencies, hospitals, school districts with severe financial problems and service industries with a low-income clientele find it difficult to compete in the labor market. As a result, they must either cope with continuing manpower shortages, or accept a lower quality of labor, or recruit different types of workers from those previously employed, or obtain some kind of subsidy.

E. *Inadequate personnel policies*

One of the principal reasons why employers find it difficult to fill their openings is that they hold out for workers of the same types they have been able to secure in the past. This is certainly understandable, particularly when we remember that during the better part of the decade of excessive unemployment, employers could find candidates with the desired combination of education, training, experience, physical condition, age and sex. Employers will relax their requirements only when and as they become convinced that they will not fill their openings otherwise. Naturally they will watch and wait, complain, appeal to governmental agencies and experiment with every recruitment device before lowering their sights.

Likewise, it is easy to understand why in-plant training and upgrading programs deteriorated during many years of plentiful manpower supply. Under conditions of high employment, employers must produce their own skilled labor. Once again, it stands to reason they will not begin to do so until they are convinced there is no alternative.

An article in *Fortune* corroborates the view that labor shortages are "partly self-imposed."

> "As the labor market continues to tighten, employers' ability to hire additional workers will depend more and more on the speed and imagination with which they adjust to the new conditions of supply—on their willingness to adjust hiring procedures and standards, alter job descriptions and work arrangements, provide better training and supervision, etc. . . . By and large, *Fortune* found employers' complaints about a shortage of labor reflect their own lag in adjusting to conditions of the labor market as much as an inability to find people. Where there is a labor shortage, that is to say, it is at least partly self-imposed—the result of hiring standards that exclude the people now available."

(Charles Silberman, "Businessmen Can Live with the 'Labor Shortage,'" *Fortune*, May 1966.)

IV. *Statistical Indicators of the Manpower Situation*

The Bureau of Labor Statistics, in collaboration with the U.S. Employment Service and other agencies, has been preparing reports on existing and prospective manpower shortages for about six months now. Inasmuch as the concept of labor shortage is so elusive and relative, the most difficult part of the task has been to ascertain which types of evidence are most pertinent and reliable.

At the summation of murder trials, it is customary for the prosecutor to point out the distinction between direct and circumstantial evidence of a crime. He notes that murders are seldom committed in public, and argues that circumstantial evidence, in any event, is often more reliable than the direct testimony of excited eyewitnesses.

Much the same can be said concerning evidence of manpower shortages. Shortages are not very visible to any single observer since they are encountered in hundreds of communities and thousands of establishments. The direct evidence is fragmentary and sometimes undependable. Under these circumstances, it is important to make maximum use of secondary statistical indicators as well as direct evidence of manpower demand.

A. *Direct evidence of shortages*

(1) *Employer complaints.* It is the employer, of course, who must cope with manpower shortages, and his complaints must therefore be taken seriously. Upon investigation, however, they are often found to be unreliable. A task force of manpower specialists from the Labor and Commerce Departments made a careful, on-the-spot evaluation of the manpower situation in Milwaukee a few months ago. Among the findings were the following: "Employer reports to the Business and Defense Services Administration of shortages so severe as to be retarding production, based largely on unevaluated employer reports, were found to be inaccurate and to exaggerate the extent and significance of the problems."

(2) *Employment service openings.* Employer orders filed with local employment service offices constitute significant evidence of manpower demand. Statistics on the number of unfilled employment service openings must be carefully evaluated, however. Inasmuch as only about a third of all job

vacancies are filed with the public employment services, the distribution of job orders is not necessarily representative of the distribution of vacancies in the community as a whole. Some activities—such as the construction industry and many of the professions—make little or no use of public employment offices.

Openings filed with the employment service may represent short-term vacancies which can be filled without undue difficulty. The statistics on job openings unfilled for 30 days or more have greater significance and are properly emphasized by the U.S. Employment Service in its analyses of employer orders. Finally, it is important to be aware of the reasons why workers have not been found to staff these hard-to-fill openings. In recent reports, local employment offices have advised that 7 of every 10 orders unfilled for 30 days or more were still open because of lack of qualified applicants. Another 15 percent were not filled because of substandard wages or other unfavorable working conditions; and miscellaneous reasons accounted for the remaining 15 percent.

(3) *Job vacancy data.* There is an urgent need for job vacancy information in the United States. An adequate program for collecting and analyzing such data is the most important step that could be taken to identify genuine manpower shortages and pave the way for remedial and preventive policies.

Job vacancy data will not provide proper guidance, however, unless properly interpreted within an adequate analytical framework. To say that there are 1,000 unfilled vacancies in Syracuse, or that the number of vacancies in Cincinnati is equal to the number of unemployed, is not a significant statement nor a reliable guide for policy.

To begin with, it is necessary that there be identifying detail. Vacancies must be classified by occupation, by industry, and by geographical area. One should not lose sight of these dimensions in analyzing vacancy statistics.

As in the case of employment service job orders, it is important to distinguish between short-term and long-term vacancies, and to know the rates of pay in comparison with those customarily offered.

Furthermore, evaluation of vacancy data will be affected by the labor turnover rate, the seasonal pattern, and the employment trend in the industry. One thousand vacancies for sewing-machine operators in the garment industry, which has high turnover and pronounced seasonality, would mean one thing; one thousand vacancies for equipment repairmen in the telephone industry, which has little labor turnover and no seasonality, would mean something else altogether.

Experimental job vacancy surveys conducted by the U.S. Department of Labor, the National Industrial Conference Board and other groups have shown that it is entirely feasible to obtain the necessary identifying detail from employers. Work is now under way on the development of analytical programs so that reliable interpretations and policy implications can be drawn from the data.

B. *Indirect or circumstantial evidence*

(1) *Unemployment data*

a. *National data.* Data on the number of unemployed, together with estimates of forthcoming labor force expansion, indicate the magnitude of manpower reserves available to fill expanding needs. Important qualifications must be noted, however.

In the first place, in a period of high employment such as the present, the most important manpower reserves are probably within the ranks of those already employed. I include about 13.5 million working part-time (less than 35 hours a week), particularly the 1.8 million involuntary part-time workers averaging only 23 hours per week although they would prefer full-time employment. I include also the uncounted millions working below their potential capacity. A dramatic indication of inadequacy of in-plant training and upgrading programs in the United States is found in the fact that many underqualified individuals, who were assigned to craft positions and paid craft rates during World War II and the Korean conflict, have still not received the additional training and experience necessary to fill out their qualifications.

While the current overall unemployment rate is 3.7 percent, we have estimated that a full employment rate would be in the range of 2-2.5 percent. It follows that about 750,000 to 1 million could be squeezed out of the current unemployment total to staff expanded requirements. But there should be no misunderstanding about the fact that the most serious problems of mismatch would develop, and would have to be overcome, before these manpower reserves in the ranks of the unemployed could be fully utilized. This is one reason why it is necessary to report unemployment statistics with great detail concerning age, sex, race, occupation, industry, and other identifying detail. These statistical breakdowns, considered together with the pattern of manpower requirements, indicate the nature of the mismatch between supply and demand; the extent to which the mismatch can, or cannot, be corrected in the short-run; and the adjustments in private and public policies which are called for.

We have been making some interesting statistical studies of the composition of unemployment at various overall rates. Thus far only a few dependent variables have been analyzed —age, sex, and duration of unemployment. I am hopeful that other dependent variables, including occupation, industry, and the proportion of full-time and part-time job seekers can be included in the analysis.

This research has revealed the interesting fact that short-term unemployment of 4 weeks or less duration has regularly constituted 2 to 2½ percent of the labor force during the past decade. Unemployment of 5 weeks or greater duration has fluctuated widely, and has accounted for the corresponding fluctuations in the overall unemployment rate. The constancy of a 2 to 2½ percent short-term unemployment rate would seem to be related to our estimate of frictional and seasonal unemployment under full employment conditions. We have not yet been able to express the relationship in precise statistical terms, however.

As the unemployment rate declines, there are pronounced changes in the composition of the unemployed. The following table shows the percentage of men, women and teenagers, and the proportions unemployed four weeks or less and five weeks or more, at the 6.8 percent overall rate which prevailed in 1958 and at a calculated 3.5 percent overall rate. The calculation is based upon regression analysis of experience during the past decade.

COMPOSITION OF THE UNEMPLOYED

Actual 1958 Average and Calculated 3.5 Overall Rate

		Average 1958 (6.8%)		*Calculated 3.5 percent*	
Adult men	Total	57%		36%	
	4 weeks or less		20%		19%
	5 weeks or more		37%		17%
Adult women	Total	27%		33%	
	4 weeks or less		12%		17%
	5 weeks or more		15%		16%
Teenagers	Total	16%		31%	
	4 weeks or less		8%		20%
	5 weeks or more		8%		11%

Source: Unpublished research by Susan Burch, Bureau of Labor Statistics.

When the overall rate was 6.8 percent, the bulk of the unemployed were adult men, and two-thirds of them had been out of work 5 weeks or more. In contrast, the calculated 3.5 percent rate includes approximately equal numbers of adult men, adult women, and teenagers. Only half of the men are out of work 5 weeks or more at a 3.5 percent overall rate. These calculations could not take account of distinction between full-time and part-time job seekers, but we do know that about 20 percent of adult women, and 50 percent of teenagers, have been seeking only part-time work in recent months.

It follows that as the overall rate declines, an increasing proportion of the total are looking only for part-time work.

As the overall unemployment rate declines, there are corresponding changes in specific rates for age and sex groups. The rate for adult males was 3.4 percent in April 1965, when the overall rate was 4.8 percent; it was 2.4 percent in April 1966, when the overall rate was 3.7. My personal estimate is that if the overall rate should decline to 2.5 percent, the rate for adult males would be about 1.5 percent. The rate for adult females was 4.6 percent in April 1965, 3.6 percent in April 1966, and would be about 2.5 percent at the overall 2.5 rate. Finally, the rate for teenagers was 14.7 percent in April 1965, 12.0 percent in April 1966, and would be about 8.5 percent at the overall 2.5 rate.

b. *Occupational rates.* Unemployment rates by occupation provide important evidence of the relationship between manpower supply and demand in various fields of work. In the first quarter of 1966, for example, unemployment averaged 1.2 percent among professional and technical workers, 2.8 percent among clerical and sales workers, 3.0 percent among craftsmen and foremen, 4.2 percent among semi-skilled operators, 4.4 percent among service workers and 6.7 percent among nonagricultural laborers.

These rates must be carefully interpreted, however, because of seasonal fluctuations, casual employment relations, and a fringe of "hangers-on" in certain occupations. A good example is found in the field of construction, which had a seasonally-adjusted unemployment rate of 8.1 percent in April 1966. Unemployment rates in construction are always affected by high labor turnover which is characteristic of the industry. Many of the unemployed are laborers who do not have the skills to perform higher tasks. There is also evidence that some of the unemployed laborers have worked mainly in other industries, and cannot be considered as a manpower reserve for construction.

Unemployment rates in construction are running about one-third below those of a year ago and are the lowest for comparable months since the Korean War. During recent months, between one-third and one-half of the unemployed construction workers were in California, New York and Pennsylvania. On examination, therefore, the apparently high unemployment rate among construction workers is not inconsistent with apparent shortages of electrical workers, plumbers, iron workers, etc., in communities.

c. *Area rates.* Unemployment data for local areas should be of great importance in analyzing the manpower situation. The presently available estimates are good enough to indicate general differences in the degree of tightness or looseness between areas. The quality of these estimates is rather shaky, however, and they do not provide adequate detail on the composition of unemployment.

In communities such as Los Angeles, Oakland, and New York City, the unemployment estimates do not indicate the extent to which disadvantaged job seekers in central city ghettos are insulated from the general labor market and geographically remote from the more attractive job opportunities. Furthermore, the most prominent manpower shortages in the professional and skilled labor fields are being encountered on a nationwide basis, regardless of differences in the strength of demand for semi-skilled, unskilled and service workers.

(2) *Unfilled orders, backlog ratios and operating rates.* Changes in the backlog of unfilled orders, especially when expressed as a ratio of unfilled orders to shipments, provide a useful means of identifying industries where production delays may be occurring. In industries such as aircraft, however, where orders are received irregularly and in large units, an increase in the ratio does not necessarily indicate production delays. Moreover, even where production is being delayed, the reason may be a shortage of materials or component parts rather than manpower; or the volume of new orders may have been increasing steadily at a faster pace than capacity can be

expanded. There are also instances when backlogs are affected by changes in production lead time because of changes in the product mix or production techniques.

Nevertheless, increases in the backlog ratio call for further examination because labor shortages may be involved. On the other hand, decreases in the backlog ratio make it probable that labor shortages are not having a noticeable impact.

During the first quarter of 1966, the ratio of unfilled orders to shipments in manufacturing as a whole was only slightly greater than in 1965. For the durable goods industries as a whole, the ratio was 3.2 months and was unchanged from 1965.

These data do not suggest that manpower shortages, material shortages or other problems have significantly impeded production. But the aggregate manufacturing data conceal important problems that have developed or are impending in a few industries.

The metal-working machinery industry, for example, had a backlog ratio of 7.7 months in March of 1966, compared with 7.2 months a year previously. In the machine tool segment of the industry, the ratio was extended to 9.3 months; and in the metal forming tool segment, it was 10.0 months.

(3) *Working hours and overtime.* A significant increase in average weekly hours and overtime hours in a particular industry, or in industry as a whole, is important evidence that employers are stretching out the utilization of their existing labor supply. These statistics are highly correlated with other indicators of manpower shortages. If hours of work are not increasing, it is unlikely that serious shortages are being encountered. Thus, the hours of work statistics for 1951 and 1952, and 1954-57, together with turnover statistics for the same period, provide a strong indication that manpower supply was adequate in these periods. The situation during World War II, which I have already described, offers a vivid contrast.

In the more recent period, average weekly hours in all manufacturing industries have risen from 40.4 in March 1964 to 41.2 in March 1965 and 41.5 in March 1966. Average overtime hours were 2.8, 3.5, and 3.9. For durable goods industries, weekly hours and overtime hours averaged 41.1 and 2.9, respectively, in March 1964; 42.1 and 3.8 in March 1965; and 42.4 and 4.3 in March 1966. These trends appear to indicate a response to the tightening in the supply of skilled workers.

Here again, however, overtime data must be interpreted with caution. Manpower stringencies are not the only reason for working overtime. Some industries with pronounced seasonal patterns—notably the automobile industry—customarily schedule a great deal of work regardless of the manpower situation. Moreover, there is probably a long-run trend toward working overtime as an alternative to hiring additional workers, in order to avoid the fringe benefit obligations which are assumed in the latter case. At any given unemployment rate, average hours of work will be greater in 1966 than in previous years. Thus, although short-run changes in work schedules are significant indicators of the manpower situation, long-term differences are affected by other factors as well.

(4) *Turnover statistics.* One of the most sensitive indicators of the general manpower situation is the quit rate. A rising quit rate indicates that more workers are leaving their jobs to seek better ones, and that the opportunities are present. A good deal of upgrading is accomplished through what is insidiously called "labor piracy," although in many cases workers are lured away to perform the same job in a different establishment at higher rates of pay.

Turnover statistics have two serious limitations. In the first place, they are restricted to manufacturing industries, despite the fact that turnover is almost certainly higher in some nonmanufacturing activities. One of the technical options now under consideration in the operation of the job vacancy program would be to collect vacancy information, together with turnover data, for all types of industries. The second weakness of the turnover rates is that they are averages for all occupations in an industry. For purposes of manpower analysis, it would be highly desirable to have separate rates for the major occupational groups.

Quit rates in American manufacturing industries have risen from 1.4 percent in March 1964 to 1.8 percent in March 1965 and 2.7 percent in March 1966. The latter figure was fairly close to the 3.4 percent of March 1953, but well below the 6.2 percent of March 1944.

The highest quit rates are not found in industries, such as machinery and construction, with the most difficult shortages of skilled workers. On the contrary, they are encountered in poorly-paid activities which historically have found it difficult to obtain workers in times of rapid economic growth and abundant job opportunity. At the present time, for example, the furniture, leather, lumber, textile and apparel industries have the highest quit rates in manufacturing. There is no doubt that low-paid service industries are experiencing the same problem, although the statistics are not available.

(5) *Productivity and unit labor cost data.* Typically there is a retardation in productivity growth at the peak of the business cycle, reflecting utilization of obsolete capacity, employment of inefficient workers, and inefficiencies engendered by material and labor shortages.

If, as employers are now complaining, a dramatic decline in efficiency were taking place, this would show up in statistics of productivity and labor costs. But the data show that the productivity growth in 1965 was 3.0 percent, about the same as the trend rate for the entire post-war period. The productivity increase in the first quarter of 1966 was 0.6 percent, equivalent to an annual rate of 2.4 percent. Like the overtime and turnover statistics, these productivity rates reflect the gradual tightening which takes place during a high-level boom, but do not indicate an exhaustion of manpower reserves.

V. *Conclusions*

1. It is not within the scope of this paper to describe or evaluate the policies which are available to deal with man-

power shortages. The elements of an integrated manpower program have been cogently discussed in recent writings by Bakke, Lester, Harbison, Haber and others. For our purpose, the most important point is that at a time like the present, when manpower shortages reflect mismatches between requirements and supply rather than exhaustion of reserves, the necessary remedies are those which will correct the imbalances.

From this standpoint, three classes of remedies may be distinguished:

(a) *Adjustment of manpower demand to the conditions of supply.* This includes lowering of requirements as to education, experience, physical condition, sex and age; alteration of skill ratios (job dilution); redesign of jobs so that they may be performed by women, young persons, elderly workers and part-time workers; locating production in areas of more adequate manpower supply; and increasing the wages in the essential but unattractive types of jobs. Clearly some of these adjustments involve costs and create problems. For example, lowering education and experience requirements may reduce efficiency (but it may not, if the requirements have been excessive or have been used as a screening device). Job dilution may result in dead-end jobs, as well as workers who lack sufficient breadth of training to cope with changes in technology and manpower requirements. Higher wages in the service industries, especially those with high labor cost ratios, will contribute to price increases. These costs can be minimized if the pace of employment expansion is not so fast as to outrun the adjustment mechanisms in the labor market.

(b) *Improvement of manpower supply.* This includes geographical migration, attraction of additional individuals into the labor force, delayed retirement of persons still able to work, training of the unemployed, rehabilitation of severely disadvantaged persons, and upgrading and in-plant training of workers already employed. Several of these processes, such as geographical migration and extra expansion of the labor force, tend to occur more or less naturally, but they can be stepped up through appropriate policies, such as relocation allowances. Employers naturally increase the amount of upgrading in periods of stringency, but financial incentives could be provided to stimulate the expansion of in-plant training programs.

(c) *Improvement of the mechanism for bringing together manpower requirements and supply.* This is the subject of a comprehensive report on employment services by a Department of Labor task force headed by Dean George Shultz, of the University of Chicago.

2. As indicated above, coping with the localized shortages which tend to appear when the unemployment rate goes below 4 percent, and before it indicates an exhaustion of manpower reserves, does involve costs. Aside from possible inefficiency and lower productivity gains, these costs include more expensive and repetitive recruitment and training resulting from higher labor turnover, loss of production or lowering of production targets in some bottleneck situations, and a greater tendency toward price inflation. On the other hand, there are enormous benefits. The most important of these are greater employment opportunity, and greater hope for the disadvantaged and dispossessed. In fact, the only real hope for the lower socio-economic stratum in the Negro community, now suffering from widespread social and family disorganization, is to have such an abundance of job opportunity that localized shortages are inevitable. Among the other advantages are the emergence of a more equitable wage structure, and the revival of industrial upgrading and training programs.

3. It certainly would be a miracle if we could go all the way to full employment without the appearance of at least temporary manpower shortages. Experience teaches us that employers and government will not take the necessary actions to eliminate or prevent shortages until the pressures are actually felt. It follows that unless localized and temporary shortages are being encountered, the economy is not in a healthy con-

dition. As a practical matter, there will also be certain chronic shortages for years to come, resulting from inadequacy of manpower supply institutions.

4. This is not the time to reduce the manpower and Great Society programs which can do so much to improve and enlarge the number of workers available to perform useful and productive tasks. On the contrary, these programs are more necessary today, and have a greater chance of success, than ever before.

APPENDIX TABLE 1

MAJOR LABOR FORCE INDICATORS IN SELECTED PERIODS

(In thousands)

Period	*Total Labor Force*	*Armed Forces*	*Civilian Labor Force*	*Total Employment*	*Nonagricultural Employment*	*Unemployment*	*Unemployment Rate*[1]
Annual Averages							
1941	57,530	1,620	55,910	50,350	41,250	5,560	9.9
1942	60,380	3,970	56,410	53,750	44,500	2,660	4.7
1943	64,560	9,020	55,540	54,470	45,390	1,070	1.9
1944	66,040	11,410	54,630	53,960	45,010	670	1.2
1950	64,749	1,650	63,099	59,748	52,251	3,351	5.3
1951	65,983	3,099	62,884	60,784	53,736	2,099	3.3
1952	66,560	3,594	62,966	61,035	54,243	1,932	3.1
1954	67,818	3,350	64,468	60,890	54,395	3,578	5.6
1955	68,896	3,048	65,848	62,944	56,225	2,904	4.4
1956	70,387	2,857	67,530	64,708	58,135	2,822	4.2
1957	70,744	2,798	67,946	65,011	58,789	2,936	4.3
March:							
1964	75,553	2,743	72,810	68,517	64,500	4,293	5.4
1965	76,612	2,703	73,909	70,169	66,180	3,740	4.7
1966	78,034	2,974	75,060	72,023	68,244	3,037	3.8

[1] March unemployment rates were adjusted for seasonality.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

APPENDIX TABLE 2

ABSOLUTE AND PERCENTAGE CHANGES OF MAJOR LABOR FORCE INDICATORS DURING SELECTED PERIODS

Period	*Total Labor Force*	*Armed Forces*	*Civilian Labor Force*	*Total Employment*	*Nonagricultural Employment*	*Unemployment*	*Unemployment Rate*[1]
			(Absolute change in thousands)				
1941 to 1944	8,510	9,790	–1,280	3,610	3,760	–4,890	–8.7
1950 to 1952	1,811	1,944	–133	1,287	1,992	–1,419	–2.2
1954 to 1957	2,926	–552	3,478	4,121	4,394	–642	–1.3
March 1964 to March 1966	2,481	231	2,250	3,506	3,744	–1,256	–1.6
			(Percent change)				
1941 to 1944	14.8	604.3	–2.3	7.2	9.1	–87.9	–87.9
1950 to 1952	2.8	117.8	–.2	2.2	3.8	–42.3	–41.5
1954 to 1957	4.3	–16.5	5.4	6.8	8.1	–17.9	–23.2
March 1964 to March 1966	3.3	8.4	3.1	5.1	5.8	–29.3	–29.6

[1] March unemployment rates were adjusted for seasonality.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

APPENDIX TABLE 3

INDUSTRY EMPLOYMENT INDICATORS IN SELECTED PERIODS
(In thousands)

	Employees on nonagricultural payrolls	*Manufacturing Industries*							*Contract construction*		*Retail trade*	*Services and Miscellaneous*
		Total employees	*Durable goods*		*Nondurable goods*		Production workers MACHINERY	Manufacturing quit rate	*Total employees*	*Weekly hours*	*Total employees*	*Total employees*
			Production workers	*Weekly hours*	Production workers	*Weekly hours*						
Annual Averages												
1941	36,554	13,192	5,947	42.0	5,070	38.9	78.0	2.4	1,790	[2]	5,338	3,921
1942	40,125	15,280	7,589	45.0	5,407	40.3	105.2	4.6	2,170	[2]	5,297	4,084
1943	42,452	17,602	9,548	46.5	5,599	42.5	125.3	6.3	1,567	[2]	5,241	4,148
1944	41,883	17,328	9,197	46.5	5,543	43.1	121.3	6.2	1,094	[2]	5,296	4,163
1950	45,222	15,241	6,705	41.1	5,817	39.7	92.9	2.3	2,333	37.4	6,868	5,382
1951	47,849	16,393	7,480	41.5	5,888	39.5	1129.7	2.9	2,603	38.1	7,136	5,576
1952	48,825	16,632	7,550	41.5	5,810	39.7	1163.9	2.8	2,634	38.9	7,317	5,730
1954	49,022	16,314	7,194	40.1	5,623	39.0	1046.2	1.4	2,612	37.2	7,496	6,002
1955	50,675	16,882	7,548	41.3	5,740	39.9	1069.2	1.9	2,802	37.1	7,740	6,274
1956	52,408	17,243	7,669	41.0	5,767	39.6	1158.5	1.9	2,999	37.5	7,974	6,536
1957	52,894	17,174	7,550	40.3	5,638	39.2	1143.1	1.6	2,923	37.0	7,992	6,749
March:												
1964	56,777	16,968	7,075	41.1	5,438	39.5	1108.2	1.2	2,668	36.5	8,701	8,350
1965	58,784	17,578	7,481	42.1	5,568	40.0	1185.2	1.5	2,820	36.7	8,978	8,662
1966[1]	61,793	18,574	8,094	42.2	5,729	40.2	1276.8	2.3	3,015	37.7	9,388	9,103

[1] Preliminary.

[2] Data not available prior to 1947.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

APPENDIX TABLE 4

Absolute and Percentage Changes of Industry Employment Indicators, During Selected Periods

Period	Employees on nonagricultural payrolls	Manufacturing Industries							Contract construction		Retail trade	Services and Miscellaneous
		Total employees	Durable goods		Nondurable goods		Production workers MACHINERY	Manufacturing quit rate	Total employees	Weekly hours	Total employees	Total employees
			Production workers	Weekly hours	Production workers	Weekly hours						
Absolute Changes (in thousands)												
1941 to 1944	5,329	4,136	3,250	4.5	473	4.2	433.0	3.8	–696	[1]	–42	242
1950 to 1952	3,603	1,391	845	.4	–7	0	234.9	.5	301	1.5	449	348
1954 to 1957	3,872	860	356	.2	15	.2	96.9	.2	311	–.2	496	747
March 1964 to March 1966	5,016	1,606	1,019	1.1	291	.7	168.6	1.1	347	1.2	687	753
Percent Change												
1941 to 1944	14.6	31.4	54.6	10.7	9.3	10.8	55.5	158.3	–38.9	[1]	–.8	6.2
1950 to 1952	8.0	9.1	12.6	1.0	–.1	—	25.2	21.7	12.9	4.0	6.5	6.5
1954 to 1957	7.9	5.3	4.9	.5	.3	.5	9.3	14.3	11.9	–.5	6.6	12.4
March 1964 to March 1966	8.8	9.5	14.4	2.7	5.4	1.8	15.2	91.7	13.0	3.3	7.9	9.0

[1] Data not available prior to 1947.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

3

MANPOWER POLICY, POVERTY AND THE STATE OF THE ECONOMY

JOSEPH A. KERSHAW[1]

FOR the past year, my principal concern has been with the development and analysis of economic and social policies which would benefit approximately the lowest fifth of income receivers in the United States. We prefer policies, of course, that result in making everyone better off; but we find ourselves, from time to time, pressing for policies which will improve the lot of our clients at the expense of the non-poor. After one has immersed one's self in the problems of the poor for a period of time one becomes persuaded that policies that tend toward a more even distribution of income as well as those that increase the total income are both in the public interest.

In terms of manpower policy, which we are to consider here at this session, the year has been a particularly interesting one for us. It began last summer when the overall unemployment rate was 4.5 percent. Since then, with the peculiar exception of March of this year, the unemployment rate has consistently declined until, as you all know, it is now at 3.7 percent. So far as manpower policies for the poor in the United States are concerned, the difference between 4.5 and 3.7 percent is a significant one indeed, particularly if one assumes that the current rate will continue to drop in the relevant future. Policies which seemed to us to make a great deal of sense in the summer of 1965 have since been put on the shelf or seriously modified pending that unwelcome day when the unemployment rate begins to rise again. The burden of my comments today will be addressed to policies that seemed to make sense a year ago and the modifications in those policies that we have felt impelled to make since that time.

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[1] The author is Director of Research, Plans, Programs and Evaluation at the Office of Economic Opportunity. Much of the work reported on here has been done by the staff of the Office, particularly by Dr. Harold Watts. My thanks go to him, and to Dr. Robert Levine, Dr. Walter Williams and Dr. Stanley Masters.

A few obvious remarks are called for to set the stage for what I have to say. I came to the War on Poverty in June of 1965 persuaded that better employment opportunities were going to be one of the most important factors in the elimination of poverty. Nothing that has happened in the last twelve months has indicated that that was an erroneous notion. Not all of the poor are unemployed and not all of the unemployed are poor, but the coincidence between the two conditions is nonetheless particularly high. It is the case that most poor people who get jobs thereby exit from poverty; while we should not overlook the fact that many poor people—the aged, the handicapped, and so on—cannot be removed from poverty simply by the provision of a job, nonetheless, the best single means we have for getting people out of poverty is to provide decent-paying jobs for them.

A second fact about the poor is that their participation in the labor force is less than is the case of the non-poor. A forthcoming paper by Professor Joseph D. Mooney[2] indicates again the validity of this generalization. Undoubtedly, a part of the reason for this is that many of the poor become discouraged as a result of their inability to find jobs, and withdraw from the labor market entirely. Many of these people will re-enter the labor market if unemployment becomes less significant and our projections have to take this fact into account. Mooney's study suggests that as many as 2.5 percent of the population of females over 14 years old and in poverty might enter or re-enter the labor force as a consequence of a one percent reduction in the overall rate of unemployment. Since there are around 12 million such women, we may need to allow for as many as 300,000 more workers. For males both the numbers in poverty and the sensitivity of labor force participation is smaller but even for them it is not unreasonable to expect around 100,000 added workers.

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[2] The paper which is referred to is entitled "Urban Poverty and Labor Force Participation" and will be published in the *American Economic Review* (March 1967).

Finally, it is worth emphasizing that unemployment rates among the poor are consistently higher than among the nonpoor. In particular is this true with the minority groups, be they Negroes, Mexican Americans or people of certain ages, such as the adolescents. Unemployment rates of these people are a multiple of the national average. Professor Bowen's paper at last year's conference contains the statistical demonstration of this generalization.[3] When we are devising manpower policies aimed at the poor, this fact becomes particularly important. As I remarked at the outset, we began to develop our manpower policies when the overall unemployment rate was 4.5 percent, which meant that for many of the groups with whom we deal the rates were three and four times that level.

Our manpower policies are always some combination of basic education, skill training and job creation. In a period of loose unemployment, which I would like to define as any overall level higher than 4 percent, the job creation aspect of manpower is particularly important for the poor. Indeed, one could argue that it does not make sense to spend time and resources training large numbers of poor people for jobs that do not exist. Last summer we were faced with this problem and worried about it at some length. We finally decided, incidentally, that training does not lose its importance even when there is a substantial chance that the individual trained, at the completion of the process, will find nothing but disillusionment instead of a job. I would not argue that this is a satisfactory situation, but we came to feel that the poor, and in particular the minority groups, deserved at least an equal chance at an insufficient number of jobs, and that therefore the training was worth doing. In a sense, this meant sharing the unemployment, and it undoubtedly would have the effect of causing some non-poor to enter the poverty class as a result of the loss of jobs to those formerly in the poverty group trained by the government.

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[3] William G. Bowen, "Unemployment in the United States: Quantitative Dimensions," Chapter 2 of Bowen and Harbison (eds.), *Unemployment in a Prosperous Economy*, Industrial Relations Section, Princeton, 1965.

But when there is employment slack, the provision of jobs really becomes paramount, and I would like to describe for you the public employment scheme we worked out last summer, which we felt to be the best answer to the persistently high unemployment rate of that time. A study done in our office indicated that at somewhere slightly below 4 percent unemployment, the number of poor people unable to get jobs would be around 800,000. This number is the sum of those poor who counted themselves as unemployed, minus the "unemployed" who were really unemployable, minus those frictionally unemployed, plus those who would enter the market as unemployment declines. That it is a crude estimate scarcely requires emphasis, but I should make the point that if the number in fact turns out to be 600,000 rather than 800,000, or indeed a million, this would have no adverse impact on the plan since it is highly flexible.

The essence of the proposal was that these unemployed persons could be put to work at rather unskilled jobs at low wages (probably the minimum wage) to do a series of productive jobs which the nation requires doing. There would therefore be a coincidence of national needs which would not only put to work those who needed work but would result in an improvement of the quality of life in the United States. The government in effect would become the residual employer and would generate productive jobs in whatever amount turned out to be necessary.

We also had a study made of how many productive jobs there might be in the United States. The study showed that there was a need for more than 5⅜ million jobs of the sort we had specified. The results indicated that we need work done in the following job quantities:

Health and Hospitals	1,205,000
Education	1,100,000
National Beautification	1,322,000
Enrichment of Family Life	670,000
Urban Improvement	650,000
Control of Crime and Delinquency	325,000
Transportation	250,000
Defense	350,000
Total	5,872,000

It would take some years before all of these jobs could be made available since in some cases institutional changes would be required to accommodate them. For example, the public school system is not yet ready to digest the number of teachers' aides that is suggested by the study, but it was felt that within the space of three or four years this could be accomplished.

The mechanics of the system need not be described in any detail. In brief, the proposal is that the Federal Government contract with local or state agencies or private non-profit institutions, agreeing to pay 90 percent of the wage of any additional individuals employed. For example, a hospital would agree to expand the number of its nurses' aides, its orderlies, its laundry workers, and so forth, by, let us say, ten people. A contract would be drawn whereby the Federal Government would agree to pay 90 percent of the cost of these ten people, and the hospital would agree that its total complement would be expanded by ten as a result. The wage would presumably be the minimum wage. There would be no constraint compelling institutions to employ only poor people, but the presumption is that the hiring would in fact be done in poor areas of cities or rural areas. There would be no stigma attached to the employment, it would not be a Poverty Corps; in fact, the employee need not even know that he was being employed under this scheme, and he would be treated exactly the same way as the employee working next to him. The check in the case of our example would be signed by the hospital, not by the U. S. Government. We think of these jobs as useful, as permanent, and as productive. We would not limit them to poor people, we would not limit them to families without a wage earner. They are in essence an addition to the supply of jobs, the distinction being that they are all in some aspect of the public sector. They would contribute to the improvement of services in the public sector which by common agreement have been starved in the past.

One may ask—why public employment rather than simply increasing private or other public expenditures through usual fiscal policy manipulation? Public employment expenditures of course will reduce the budget surplus or increase the deficit. But they have the added advantage of going directly and immediately to those who need help most, and who benefit from the multiplier effect of other expenditures only indirectly and much later. Public employment would seem particularly effective as the fiscal policy measure to move us the last few notches toward full employment after we have nearly arrived there but with labor supply shortages beginning to show up.

A Public Employment Program is not inexpensive. The cost is a little less than $4,000 per year per person. This means that to hire 800,000 people in public employment would cost about $3 billion per year. But I would urge that this is not a large amount for what is accomplished, and note that as the private sector expands or contracts, public employment could easily contract or expand as a counterpoint. Note also that federal funds spent in this fashion have a more direct impact on the reduction of poverty than any other expenditures, since they go directly to the poor.

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I turn now to the question of how these ideas should be modified as the overall unemployment rate falls. Let me say parenthetically that I have been appalled at the lack of information in our government about the nature of the labor market as unemployment begins to disappear. The Secretary of Labor, testifying recently before the House Committee on Education and Labor, stated that, in his view, perhaps 200,000 to 250,000 of the unemployed could be called really hard-core unemployed. This kind of estimate is based on the best judgment that can be brought to bear, but it still is a judgment and not even a real estimate. I hope that OEO, in cooperation with some of the other more permanent agencies of government, can get some studies going on some of these problems.

We do know that as the unemployment rate falls there is a tendency for the unemployment rate for minorities and for the poor in general to fall also. Usually this falls faster, since it has farther to go. But these rates stay consistently above the overall thus seeming to validate the notion that the poor and minorities are the last ones hired. Analysis of differential changes in unemployment rates implies that at a 3 percent level for overall unemployment, non-white rates would still be around 5 percent. And if we allow, say 2 percent, as a frictional minimum, then non-whites would appear to have three times the normal share of "unnecessary unemployment." It is noteworthy that in March, with unemployment at 3.8 percent, non-white unemployment was at 7.2 percent.

One particularly frustrating problem has to do with what takes place in the ghettos. Not long after the Watts riots OEO commissioned the Census Bureau to go into Watts and in effect duplicate the 1960 census. This was done in November of 1965 so that there is a clear indication of what happened within that area between 1960 and 1965. The results are discouraging to say the least. Not only was the average real income of families in Watts lower in 1965 than in 1960, but the unemployment rate in Watts fell hardly at all, the two figures being 15.0 percent in 1960 and 13.1 percent in 1965.[4] To some extent this is the result of increased geographical concentration of problems, rather than increased problems. But it is particularly discouraging since in the case of Watts a very large employer of labor is only about five miles away and is operating at a high level of activity at the present time, a level of activity apparently limited only by the availability of labor. If the situation in Watts is typical of that in Harlem and in other ghetto areas, we have a serious problem on our hands.

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[4] For the entire Southern Los Angeles area, the figures were 10.9 percent in 1960 to 10.7 percent in 1965. See *Current Population Report,* Special Census Survey of the South and East Los Angeles Areas. November 1965, Series P-23, No. 17, March 23, 1966.

Another thing that happens as the unemployment rate falls is that the rate of decline is very uneven in the geographic sense. We are all familiar with the Labor Department publications indicating the unemployment rates for labor market areas throughout the United States. We are all aware of the fact that cities around the Great Lakes area are these days experiencing a significantly lower rate of unemployment than cities in other parts of the country. One difficulty with these data incidentally is that the labor market area data are very misleading in terms of the poverty problem. The New York City labor market area unemployment rate might be quite low while at the same time the unemployment rate in Harlem may be very large, and, of course, Harlem is where my problem is.

An interesting question is what really happens in areas where the labor supply is very tight indeed. What are the characteristics of those people who are still unemployed when the general unemployment rate in a labor market area is 1.5 percent or 2 percent? Does long term unemployment disappear in cases of this sort? Does race discrimination tend to go away under the forces of the market? Are the people who call themselves unemployed under these circumstances really employable or not? So far as I can determine we do not have answers to questions of this sort. At OEO we are in the process of contracting for a study of a number of such labor market areas to try to get answers to these questions. I am pleased to say that the Bureau of Labor Statistics is joining us in the design of this study and even more importantly is going to contribute to part of its cost. By the time this symposium meets a year from now there ought to be interesting results from the study.

In the city of Chicago, which as you know is enjoying a very low unemployment rate at the present time, the Office of Economic Opportunity and the Department of Labor are carrying on an experiment which has some interest in this connection, and I'd like to refer to it briefly. There is being conducted a door-to-door service to people in the poorest areas, a service directed at finding out whether there is any need for help in each family, and if so, what it is. This is an outreach function being performed by subprofessionals, that is, unskilled people hired from the area (who incidentally might be regarded as prototype for members of a public employment program). The subprofessionals knock on every door in a specified area and find out what the problems of the particular family are. We are finding that in many of these houses there are people who answer "yes" when they are asked whether they are out of work and looking for work, but who really are not employable. Frequently, there is a health problem that is unsolved. Perhaps there is a psychiatric problem that would really impede employment in anything but an utterly sheltered situation.

Enough people of this sort are being uncovered in this outreach effort to indicate that when we think of manpower problems perhaps we ought to regard health as a significant element in many of them. Some of these people are being brought into the neighborhood center where they are receiving attention for whatever their problem may be and are eventually brought to the point where they can enter the labor market, and, indeed, are now employed. The expense involved in an effort of this sort, if it were carried out on any sizable scale, staggers the imagination.

What about public employment in labor markets of the sort we have been discussing? As economists our first inclination was to say that any such idea should be put on the shelf until the economic situation deteriorates again. But I think it is not quite that simple. In the OEO budget request that is now before Congress, there is an item of $100 million for public employment. We think of this item in two ways. First, we would like to see some public employment done this coming year, that is, in fiscal year 1967, simply as a demonstration to indicate that it will work, or conversely that there are problems that we have not foreseen.

But secondly, and much more substantively, there is the possibility of using public employment in the few remaining pockets of high unemployment which apparently may continue to exist almost no matter how low the overall rate becomes. Again I am thinking of Watts, where the cry today paradoxically is for jobs, and of the few other areas where the unemployment rate has been slow to come down, where the ratio of Negroes to whites is abnormally high, and where the need, therefore, is by definition not being cared for by the increase in overall aggregate demand. I am aware of the fact that in a situation like that which we are entering now one does not idly propose employment-generating Federal expenditures.

But I would argue that public employment can frequently be used, if imaginatively designed, to ease inflationary pressures and to increase the efficiency of professionals in short supply. I think of medical aides, for example, on whom we are going to have to rely in the future if the limited supply of doctors is ever to accomplish what has to be done. I think of assistance that can be offered to police departments which are badly overworked and where police officers have to do so much that is not really police work. And there are many others of this sort which lead us to the notion that public employment is a technique that has its uses even when the unemployment rate is low.

I should suppose, of course, that there is an unemployment rate at which public employment would clearly be inappropriate, but I strongly suspect that that rate is below anything that we now have in mind as conceivable in the near future.

Incidentally, it is interesting to note that the Democratic Study Group, a substantial group of Democratic Representatives in Congress, recently proposed a large public employment program not unlike the one I have described. Many of these members urged its adoption now in spite of the level of unemployment and in spite of the fiscal tightness of the general situation. It is noteworthy that many of these men come from large urban areas with large Negro populations. To them it is not very convincing to talk about unemployment rates of 3.5 percent; their response is that in their district the unemployment rate is perhaps 9 or 10 percent, and they see an acute need for some sort of solution. For similar reasons the State of California has been anxious to get a program going this year.

To turn away from public employment now, it seems to us in OEO that we can perform a real service if we step up our training activities as the employment situation becomes tight. To the extent, of course, that we can augment the labor supply through upgrading people who are really not ready for the private labor market, we are making a contribution in helping to keep inflationary pressures down. We think we are doing something more than that, too, however. Many people will be sucked into the labor market when the labor supply becomes very tight in unskilled jobs. Those jobs help the poor so long as they last, but they are unsatisfactory in the sense that they will terminate just as soon at the situation softens a little. In our view it is better for a person to be exposed to some basic education and some work training to improve that individual sufficiently so that he can become an employee of real value to an employer in the private sector.

We are very conscious in our office of what we call the "reentry problem." Both after World War II and after Korea there was a substantial re-entry of people into poverty as the economy slacked off. Now I don't mean to indicate that we are going to have the extent of slack after Viet Nam that we have had in previous periods when we knew so much less about control of the fiscal situation. But I do feel that a man who is essentially illiterate, and whose mental capabilities and grasp of the situation in general are such as to make his only value stem from the strength of his back, has little opportunity to move forward or even to remain employed over much of his lifetime. If we can give that man some work experience, some fluency with the language and with elementary calculation, he would have a much greater opportunity. This is what we try to do now with programs that are operated by OEO, the Department of Labor and the Department of Health, Education, and Welfare. This kind of training can pay off now because jobs are available, and I think we should be making the most of our opportunities.

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The government is running four different programs that bear on the considerations I have been discussing. These are Job Corps, Neighborhood Youth Corps, the Manpower Development and Training Administration, and Work Experience or Title V of the Economic Opportunity Act. Of these it seems to me that Job Corps fits best into the general notions I have been developing. This is a program which takes youngsters who have failed at everything they have done, gives them education and some job training, and aims them at the job market. It changes the individual in the course of the nine months or the year he spends in a Job Corps Center. It is aimed at upgrading him and making him a more productive citizen than he would have otherwise been.

MDTA, likewise, is occupying itself with upgrading individuals. It is now devoting more of its energies to the disadvantaged than it has done in the past. The on-the-job training part of MDTA seems to be particularly successful and particularly applicable to current economic conditions. As a number of people have pointed out, in conditions such as those that prevail today one policy that is particularly appropriate is to upgrade people who already have jobs, thus making room at the bottom for the unskilled and the inexperienced. MDTA, it seems to me, is valuable in this respect.

Our Work Experience Program is heavily oriented towards welfare and contains, I think, less of an educational and training component than it ought to. Our out-of-school Neighborhood Youth Corps experience to date has also been very much lacking in what we call enrichment. To the extent that these two programs take people away from the private market and essentially give them "made" work, they are contributing very little to the current situation. If they are dealing with unemployables, and they do so only in part, they ought to be concentrating on making them employable. If they are hiring employables, they are doing nothing that the private sector cannot unless they are devoting substantial resources to upgrading the individuals. Neither is doing this and to that extent I would say both are falling short of contributing in a constructive fashion under current economic conditions. Incidentally, both of these programs are having difficulty in holding people as jobs become more plentiful. While this would be deplorable if people were being taken out of good work training and educational arrangements, under existing circumstances it is probably all to the good.

I would like to conclude on a note that suggests the very great importance of maintaining aggregate demand at levels that will assure a low rate of overall unemployment, and thus offer every opportunity for us in working with the disadvantaged. We do not think that we can handle the poverty problem, without substantial expenditures for public employment, at overall unemployment rates of 4 percent or above. We would like to see the fiscal policy of the Federal Government press the unemployment rate as low as it will go without intolerable inflation. We are inclined, I suppose, to be more tolerant of the risk of inflation than some others, since more jobs in a tighter labor market seem to us to contribute more to our problem than stable prices ever will. The poor, of course, will suffer under any sort of severe inflation, but it is not at all obvious that the modest kinds of price increases that are likely to take place are not more than offset by job opportunities that come to the poor only when the unemployment rate is really quite low. If we need a tax increase, or if we should have had a tax increase already, as the establishment now appears to be nearly unanimous in saying, I hope the increase will be so calculated as to diminish the rate of drop in the unemployment rate rather than to bring that drop to a halt. Too many of the poor are unemployed when the overall rate is 3.5 percent. We have got to go below this if we are to have a real chance of winning the War on Poverty.

MANPOWER SHORTAGES AND SURPLUSES

Discussion

The main discussants of the two papers by Arthur Ross and Joseph Kershaw were Herbert A. Striner, Director of Program Development of the W. E. Upjohn Institute for Employment Research, and Frederick Meyers, Chairman, Department of Business Administration at the University of California at Los Angeles. Mr. Striner's comment is a summary of a written statement which he submitted. Professor Meyers' comments were summarized from his remarks.

Herbert A. Striner: I am pleased to say that I agree wholeheartedly with the paper presented by Dr. Kershaw. I agree particularly with the statement that it does make sense to spend time and resources training large numbers of poor people for jobs even during those periods when there is slackness in job opportunities. On this issue, I feel that in reality a part of the problem which confronts us in an apparently "slack" job market grows out of the fact that the concept of "available" jobs is much like an iceberg. We normally see the part of the iceberg above water in the form of job vacancies which are listed and about which employers are vocal. There are, I suspect, a rather large number of job vacancies that only surface after individuals have appeared with the needed skills. A number of businessmen with whom I have spoken tend to react very differently when the question about job opportunities is asked not in terms of how many current vacancies do you have which can be filled, but rather how many jobs do you think could open up if there were individuals with the skills that you think could be utilized for expansion of your present markets.

It seems to me that the solution is a far more sophisticated form of labor market analysis which provides us with depth information not only on so-called current job needs but also for jobs that would be available if we were to create the supply capable of meeting, or generating, the demand. This isn't new. The advertising industry has been working successfully on this premise for some years with the mass consumer market. Generating demand by marketing a potentially useful supply!

I would like to conclude by making a few remarks about the types of situations which exist in the Watts area of Los Angeles. We know that a part of the problem of Watts is a large pool of unemployed manpower existing alongside of areas where job vacancies exist. In many cases the job vacancies exist for unskilled individuals. What is lacking, however, is the availability of a transportation system by means of which the unemployed can get to the available jobs. Unless we can conceive of the labor market in terms of its being a large-scale and complicated system, we will not be able to include in our planning the development of transportation systems which make the labor market a viable mechanism. A labor market must remain an academic entity for individuals who are unemployed and live in areas which are not realistically accessible to the location of jobs. This may mean that new types of transportation arrangements, formal as well as informal, may have to be developed in order to put the unemployed person in a position where he can get to the job in a reasonable length of time at a reasonable cost. Even in the event that individuals are provided with the training and skills necessary for the job, unless we can put them physically where the jobs are they will not be able to become part of our employed labor force.

Manpower Policy and Poverty

Frederick Meyers: The balance of skills required by employers in the present boom is not necessarily the balance of skills that will be required in the longer run, when the pressure of the present war is removed. Once the pressure of war expenditures eases off, there may be a large reentry to the ranks of the poverty-stricken by those temporarily lifted from poverty by war-generated employment. There is little in the structure of the present expansion of jobs which will lead to a more fundamental solution of poverty generated by unemployment. The war-generated full employment may be different, significantly different, from that which would be generated by normal peacetime fiscal measures aimed at the promotion of full employment. There is no indication that the number of blue collar, low skill jobs generated under war-time pressures would be generated under peacetime full employment policies. Meyers states that perhaps the only benefit that the workers in communities such as Watts will get from the present boom is that they will have had the opportunity to work for a reasonable period of time in a factory subject to the discipline of industry. They will have been acculturated, so to speak. Because of this structural imbalance today, OEO programs ought to include a very substantial amount of training aimed at equipping the trainees for long-term job prospects. The training they receive must equip them to move out of public employment.

PART II

THE WAGE-PRICE ISSUE

4

THE WAGE-PRICE ISSUE AND THE GUIDEPOSTS

ROBERT M. SOLOW
Massachusetts Institute of Technology

IT begins to seem as if I am the only respectable economist, not in the employ of Lyndon Johnson, who is willing to say anything good about the wage-price guideposts. And actually, as you will realize if you listen closely, it's not that I have so very much that's very good to say about them, but that I'm calm about it. Public debate about the guideposts has been disappointing, not simply because it has so often revealed little but elementary self-interest and automatic ideology, but because it has been so unconstructive, so unwilling to face up to the character of the problem. For example, I will not now take time to take issue with Allen Wallis who told an American Bankers Association symposium on this subject: "Only the Government can cause inflation and only the Government can prevent it. The Federal Reserve Board can prevent inflation by properly controlling the rate of growth in the stock of money." I will only say that if the problem and the answer were that simple, even I would be able to see it.

The wage-price guideposts are not a deduction from a neat theory. They are a response to a discouraging fact. They are no doubt connected with the notion of cost-push inflation—that strong trade unions and large corporations may singly or together push up wages rapidly and widen margins while there is still excessive unemployment and excess capacity. One can construct a theory along those lines, but it is very hard to verify against the complicated data. But it is not necessary to hold such a theory to see the need for, and the possible utility of, guideposts for wage and price behavior. It is only necessary to recognize certain institutional facts of life. Let me put the problem in the bluntest way I can.

Consider the situation of our economy right now. The overall unemployment rate is hovering in the neighborhood of 3¾% of the labor force, much lower for some groups and very much higher for others. I take it that most people in this room would like to see unemployment go lower, if only for the good that it would do some of the very poor, though perhaps for other reasons as well. I presume not many would like to see more unemployment than we now have. Manufacturing capacity is about 90% utilized; the current high rate of spending on plant and equipment will no doubt add rapidly to existing capacity. I presume everyone would like to see output grow, very many would like to see the margin of excess capacity narrow slightly, and practically nobody would like to see it widen again.

At the same time nearly everyone deplores the inflation we have had and expects that prices and labor costs per unit of output will rise even more rapidly in the near future. There has been talk that "inflation" would be an important campaign issue this year. In the past six months the Consumer Price Index has gone up 2%; even apart from food prices it has gone up 1%. The Wholesale Price Index, containing many fewer services and more important as an indicator of international competitiveness, has gone up 2%; its industrial component has risen 1½%. The GNP Deflator, which for years had been going up by about 1½% a year, rose by that amount in the past two quarters. Labor cost per unit of output in manufacturing, which had actually been stable since 1957-59, rose by more than 1%. What is more important, I do not think that any serious student of the problem would believe that the unemployment rate could be brought down to say 3% in a year or 18 months without a fairly rapid increase in wholesale prices, even if labor costs per unit of output were constant. Nor is it likely that labor costs could remain stable; if they increased at the 1965 rate or faster, it is hard to imagine an annual increase in wholesale prices less than 3%.

There is, therefore, a real problem. It is that inflationary pressures begin to emerge in our economy while there is still some unemployment and slack to be mopped up. We are already in the uncomfortable situation that continued expansion will be accompanied by an unacceptably high rate of inflation. At the same time the contractionary fiscal-monetary policy required to stop the inflation will also slow down or stop an expansion whose continuation would be economically and socially desirable. This is a genuine dilemma, to which the wage-price guideposts are a response. It is an arguable question whether the guideposts work, or whether—if they work—they may have undesirable side effects. But I do not see what constructive social purpose is served simply by ignoring the real question, as many of those who have opposed the guideposts have done.

Even if this dilemma were peculiarly our own, one ought not to ignore it. But in fact the same problem has arisen in most of the advanced capitalist economies of the world, in countries as different in institutions and ideology as the United Kingdom, France, and West Germany. None of them seems to have found a satisfactory resolution; nearly all of them have been driven to some form of "incomes policy," that is, to something like our wage-price guideposts with variations corresponding more or less to international differences in wage-making and price-making institutions. I point out this history mainly to suggest that the problem of reconciling full employment with fairly stable prices lies pretty deep in the modern mixed economy. It is unlikely that any simple solution has been lying around unnoticed here or abroad.

Faced with a rapid, or accelerating, inflation, an economist's natural impulse is to deflate. The fiscal and monetary means to do so are certain and well understood. I can easily imagine that the current situation might evolve in such a way as to leave no sensible alternatives. The history of the years 1958-1964 shows that the economy can be run slack enough so that the price level will more or less police itself, but without falling into deep or prolonged depression. But that is not a pretty history to emulate. It involves a pretty substantial unemployment rate. Since the incidence of unemployment is typically very uneven, and since the pattern of unevenness is far from equitable, common decency requires that this kind of policy be accompanied by a major reform of unemployment compensation and other transfer payments. That would be a mere budgetary cost, not a real burden on the economy as a whole; and it would probably be desirable anyway. But the maintenance of slack does impose a real burden on the economy as a whole, in the form of unproduced output. That is a hard cost to measure, but it is clearly very large. Most estimates suggest that one point on the unemployment rate corresponds to something between two and three percent of real GNP. If that is right, then the amount of relief from inflation that could be had by keeping the unemployment rate at, say, 4% instead of 3½% would have an annual cost of something like $8 billion at 1965 prices and GNP. That is high enough so that I am tempted to look hard for alternatives.

The difficulty arises because prices rise before unemployment and excess capacity are fully eliminated. This in turn almost certainly reflects significant departures from perfect competition in labor and product markets. An alternative policy, therefore, is to create or restore competition wherever possible, by breaking up all concentrations of market power, whether in the hands of trade unions or large firms, and by eliminating all or most legal protections against domestic and foreign competition. Most economists, myself included, would favor strengthening competition, free trade, and mobility in season and out. If inflation can be fought that way as well, so much the better. But elementary realism suggests that significant steps in this direction will come very slowly, if indeed they come at all. Some important good can no doubt be done in a hurry; localized shortages of skilled construction labor, for example, might yield to cracking the guild restrictions on apprenticeship programs. But a policy is bound to move slowly if every step in it offends some vested interest; and in the meanwhile the immediate problem remains.

There is a third alternative, to learn to accept some inflation. I do think that we have been conditioned to over-react to even a little bit of price increase. Slow inflation does very little harm. If it is costly to stop it, then one ought to tread carefully. I realize that there is a belief with the status of folklore that you can't have slow inflation; when expectations solidify the price rise must accelerate. But history is full of slow inflations that have lasted quite a long time. Perhaps it takes only moderate irregularity to keep inflationary expectations from hardening. The other reason we are frequently offered for sacrificing output and employment to suppress even a slow rise in prices is the defense of our balance of payments and the gold value of the dollar. That is another subject altogether; I will only say that I feel unhappy with the thought of adopting a bad domestic economic policy simply in order to salvage a worse international economic policy.

If deflation is costly, structural improvement too slow, and the probable price rise in the next year or so too large, there is always the possibility of getting some mileage out of the guideposts.

The logic of a guidepost policy ought to be clear. In our imperfect world, there are important areas where market power is sufficiently concentrated that price and wage decisions are made with a significant amount of discretion. When times are reasonably good, that discretion may be exercised in ways that cause prices to rise while there is still room for real expansion. (Institutions with market power may actually succeed in exploiting the rest of the economy temporarily or permanently, or they may see their advantage eroded almost immediately by induced increases in other wages and prices.) People and institutions with market power may, in our culture, be fairly sensitive to public opinion. To the extent that they are, an educated and mobilized public opinion may be able to exert some pressure in the right direction.

The Wage-Price Issue

The January 1962 guideposts were intended to be a step in the educational process. Whatever else they accomplished, or failed to accomplish, I think they, and the discussion they aroused, have surely made a dent on public thinking about wage and price behavior. I give an obvious example: in 1962 it was often said that if money wages rose at the same rate as productivity and the price level were constant, labor would in effect appropriate all of the gains in productivity. There may still be some who don't realize that the effect would actually be to increase aggregate wages and aggregate profits at the same rate, so that they share productivity gains in the same proportion as they share the initial income. But there must be many fewer such people now.

The object of the guideposts was and is to hold up to the public—and to those participants in wage and price decisions who can exercise some discretion—a summary picture of how wages and prices would behave in a smoothly functioning competitive market economy subject neither to major excess demand nor to major deficiency of demand. The hope was that active discussion of the issues might induce the participants, in effect, to imitate a little more closely a few aspects of competitive wage and price behavior. If that happened, the expansion of real demand and the production of real output might be able to go a little further without unacceptable increases in the general price level.

No one connected with the guideposts expects or ever expected that they could play any major role either under conditions of generalized excess demand or under conditions of substantial slack in the economy.

When unemployment is large and excess capacity widespread, wages and prices are unlikely to inflate. To expect the price level as a whole to fall is probably too much, but it is unlikely to rise or to rise very much. When demand is excessive in broad sectors of the economy, it is idle to believe that inflation can be talked away. The guidepost idea does rest on the presumption that somewhere in between there is a zone of economic conditions, neither too tight nor too slack, in which there is some tendency to inflation, but a weak enough tendency so that an informed and mobilized public opinion can have a useful effect.

But have they had any effect at all? Is the general level of wage rates today any different from what it would have been if the guideposts had never been enunciated and reaffirmed and supported by the Administration? That is not a rhetorical question; many people argue that the effort has had no effect on wage and price behavior. The evidence they give is that mediators and experienced collective bargainers from both sides of the table assert unanimously that they have paid no attention to the guideposts in their deliberations and their decisions. I must say I attach very little weight to that kind of evidence. It is not that collective bargainers are untrustworthy. But I take it as a general principle that one of the worst ways to study the determinants of any complicated economic event is to ask the participants what were—or what they now think to have been—their motivations.

It is intrinsically difficult to discover from the data whether the guideposts have been effective. One can not judge simply from the actual course of wages and prices. The essential thing is a comparison with what would have been the case in the absence of the guidepost effort. The Dutch, to take an example, have operated a quite formal incomes policy since the war. It has broken down utterly on at least two occasions. But it is not necessarily to be judged a failure for that reason alone. It is perfectly possible that even after the most recent explosion the wage and price level in the Netherlands is lower than it would have been had the incomes policy never operated. And it is even more likely that the incomes policy succeeded in suppressing some inflation at particularly critical moments for the Dutch economy, permitting it to occur when it could do less damage. In fact, I have the impression that most Dutch economists believe the incomes policy to have played an important part in the restoration of Dutch exports and therefore in the successful recovery of the economy from the war.

Any attempt to measure the effectiveness of the guideposts depends on some kind of quantitative reconstruction of the determinants of wage and price behavior in the absence of guideposts. It is necessarily conjectural, and there is no hope of a certain answer. Experience suggests that a clever and determined man can usually find goodlooking econometric evidence to support his prior convictions about any complicated matter. Nevertheless I must report that to my eye the weight of the evidence suggests rather strongly that the guideposts have had an important effect on the behavior of wages and prices.

On the wage side, the most careful work I know is that of Professor George Perry of the University of Minnesota. He reconstructs the percentage change in hourly wages in manufacturing from one quarter to the same quarter of the next year, in terms of four determinants: the unemployment rate, the accompanying change in the Consumer Price Index, the rate of profit on capital in manufacturing, and the change in the rate of profit. He finds, as you would expect, that wages in manufacturing will rise more rapidly the lower the unemployment rate, the faster the cost of living has been rising, the higher our profits and the more rapidly they have been rising. The precise relationship is based on the experience of the manufacturing sector between 1948 and 1960; it does a good job of explaining the behavior of money wages during that period.

When Perry's relationship is used to explain wage changes in manufacturing after 1960, it tells an interesting story. In 1961 and 1962, wages rose faster than the theory would expect, but not a lot faster. Beginning with the third quarter of 1962, and without exception for the next 14 quarters to the end of 1965, wages rose more slowly than the theory would expect. Runs in the residuals are not uncommon in any time series analysis, but this run is uncommonly long. Moreover, though the overestimation of wage changes was small at first, it be-came substantial in 1964 and 1965. From the fourth quarter of 1964 to the fourth quarter of 1965, for example, Perry's equation predicts a 5.2% increase in wages; but only a 3.6% increase was actually recorded. Throughout 1965 the annual change in wage rates was about 1.7% smaller than the 1948-1960 experience would lead one to expect. It is interesting that the main reason the equation predicts such high wage increases in 1965 is not so much that unemployment is so low as that profits are so high.

My colleague Frank Brechling has made a similar, but not identical analysis. His wage equation involves only the unemployment rate and the change in the CPI, but with a more complicated lag structure. He introduces a dummy variable to catch the possible impact of the guideposts; in accord with the story told by Perry's residuals, the dummy variable is zero until sometime in 1961 or 1962 and then rises linearly. The data award this dummy variable a statistically significant coefficient, confirming that recent wage increases have been smaller than past experience would suggest, and that by mid-1965 annual increases in hourly earnings were running about 1½% smaller than might have been expected.

You will realize that this is far from an air-tight case. It seems indisputable that recent money wage increases have been abnormally small. The timing of the change is about right for the guideposts, but that is all one can say, failing any direct measure of the "intensity" with which our incomes policy has been pursued. You may, if it seems plausible to you, accept the fact but attribute it to another cause. One suggestion that has been made is that the sea-change in wage behavior marks the end of widely and deeply held inflationary expectations; and that the change in expectations is in turn a payoff from the long investment in economic slack begun in 1957. Another suggestion, due to Professor N. J. Simler of Minnesota and Mr. A. Tella of the staff of the Federal Reserve Board, is that a better explanation of wage behavior requires not the measured unemployment rate but a rate constructed to include "hidden unemployment"—hidden because its bearers withdraw from the measured labor force; and that when such a variable is constructed and used, all or much of the apparent reduction in the rate of wage increase disappears.

I find the guidepost explanation more plausible than either of these alternatives. But I realize that hard evidence may be impossible to come by. I draw some comfort from another part of Brechling's research. He applies the same kind of analysis to British data; the difference is that one can identify three incomes-policy episodes since the war: the Stafford Cripps period 1948-1950, the Selwyn Lloyd pay-pause of 1961-1962, and the effort of the Wilson government since 1964. Brechling introduces separate zero-one dummy variables for each of these periods; his regression coefficients suggest that the first and third episodes slowed down the annual rate of wage increase by about 2%, while the middle episode slowed it down by about 1%. That can hardly be explained away.

So far I have talked only about wages. The object of the guideposts is to stall off inflation. Wages themselves are a matter of concern only because they bulk so large in total costs. If the guideposts served only to damp the increase in wages without holding down the price level, then their main result would be a transfer of income from wages to profits, and that is not their purpose. In our economy, the broad price indexes do respond to changes in labor cost per unit of output, so that wage restraint is likely to be passed along, though perhaps only partially, into prices. It is still important to know whether the guideposts have had any visible independent effect on the behavior of prices.

This is at least as hard a question as the one about wages, perhaps harder. Brechling is unable to detect any effect on prices in Great Britain; he does get definite results in the U.S., but his model is not set up to tell us what we really want to know. He explains quarterly changes in the GNP deflator and annual changes in the quarterly Wholesale Price Index by a constructed indicator of demand pressure (and, for the GNP deflator only, an index of farm prices) and a dummy variable to pick up any effect from the guideposts. The dummy variables do suggest a statistically significant effect. They suggest, in fact, that by mid-1965 the GNP deflator was rising about 0.8% a year more slowly than the degree of demand pressure would lead one to expect, and that the Wholesale Price Index was rising about 0.5% a year more slowly than one would anticipate. The trouble is that there is no independent variable for labor costs in Brechling's equations, so these effects may merely represent some passing-through of the slower rise in wage rates.

I have done some preliminary and tentative work which may be worth mentioning. Year-to-year changes in the wholesale price index for all manufactures, between 1954 and 1965, can be explained moderately well in terms of the McGraw-Hill index of capacity utilization, and the accompanying year-to-year change in labor costs per unit of manufacturing output. The price index rises faster the higher the utilization of capacity and the faster the increase in unit labor costs. This does suggest some tendency for margins to widen (i.e. for demand to become more inelastic, or for the "degree of monopoly" to increase) at high levels of output. If a dummy variable is introduced to allow for a post-guideposts structural shift, the data suggest that wholesale prices rose about 6/10 or 7/10 of a point a year more slowly after 1962 than before, for any given utilization rate and change in unit labor costs. (This suggestion just fails of statistical significance, but I suspect that lengthening the period, refining the data, and some experimentation with lags would correct that.)

There is no firm reason to attribute this sort of shift to the influence of the guideposts. But I can think of no more plausible explanation. I feel rather strongly that a society seeking seriously for some way to fend against inflation-with-excess-capacity, and unhappy about the prospect of sacrificing output and employment to do so, can hardly afford to overlook that it just might be doing itself some good with guideposts.

If alternative policies are unappetizing, and if guideposts may have some effect, even if temporary, even if marginal, then one must ask if the guideposts may not have some unattractive side effects of their own. In particular, it is said that the guideposts (1) tend to freeze the distribution of income between wages and property; (2) interfere with the operation of a free market system; and (3) apply unevenly and inequitably to different industries. I want to argue briefly that the first two charges cut no ice, but that the third presents a genuine and serious problem.

(1) I mentioned earlier that if wages rose at the same rate as productivity and the price level were constant, then the proportional distribution of the national income between labor income and property income would be undisturbed. Leaving aside all questions about equity or justice, we must ask if freezing the distribution of income may not lead to distortions and inefficiencies if economic conditions change so that a different distribution of income is needed to guide properly the allocation of resources. I used to worry about this, but it now seems to me to be a trivial point.

First of all, the division of the national income between labor and property is a slow-moving characteristic of our economy, or of any Western economy. Since the end of the war, the proportion of "compensation of employees" to national income has moved about within the range from 65% to 71%. One need not expect it to be ever thus; but it is unlikely that the "market" should want that ratio to change radically and suddenly.

Second, neither the guideposts nor any similar quantitative prescription can be expected to hold exactly. This provides a little play. Suppose for example that wage rates do follow the guideposts exactly, but that the price level is not constant, but rises or falls by as much as 1% a year. Then if prices rise by 1%, the share of wages in national income will fall by 1%, or about ¾ of one percentage point. If the price level should fall by one percent, then the share of wages in national income would go up by ¾ of one percentage point. With that amount of play, the distribution of income could get from one end of its postwar range to the other in about eight years with the rate of inflation or deflation never exceeding one percent a year. That seems to be all the market economy is likely to need.

This reasoning does suggest that it might be a good idea to present the guidepost figure not as a point but as a fairly narrow range. I have in mind something like the range from 3.0 to 3.5% a year under current conditions, instead of the flat 3.2%. This would serve two purposes. It would more nearly express the uncertainty inherent in any estimate of the trend increase in productivity; and it would permit the outcome to be nearer the top or the bottom of the range, depending on "market forces." Then even a steady price level would permit some drift in the distribution of income.

(2) One hears also the assertion that the guideposts are a dangerous interference in the free market, even a form of wage and price control. I think that is far-fetched. I realize that anyone who has come off even a close second in a brush with an activist President is likely to feel surrounded. But the comparison with formal wage and price controls is simply not realistic.

Moreover, both by intent and by necessity, the guideposts can influence only those wage and price decisions in which the parties have a certain amount of discretion. Atomistic textbook competitors, having no discretion, will not be much influenced either by public opinion or the White House. But where there is enough market power, and hence enough discretion, for the guideposts to be a major force, there is little or no reason to believe that the "free market" outcome will be in the public interest. The usual presumption against public interference in the market process does not hold. Whatever else they are, the steel, aluminum, and tobacco industries, the United Automobile Workers and the building trades unions are not perfect competitors and do not behave as if they were.

Naturally, the fact that a concentrated industry and a strong union may make decisions not in the public interest does not automatically mean that informal guideposts will do better. Yet I would stand on the guideposts as a pretty good summary description of how a fairly competitive market economy might be expected to behave. If you will grant that the public interest needs representation in concentrated markets, then the guideposts will do a fairly good job of representing it.

(3) Any informal incomes policy, whether it operates mainly through the pressure of public opinion or through occasional presidential intervention, is likely to operate unevenly. The lightning is attracted to conspicuous wage bargains and price decisions, and maybe not even to all of them. It may be that conspicuous decisions are conspicuous for good reason, that it is not so bad for the lightning to strike there. But it is pretty clear that the correlation is not perfect. There are plenty of decentralized markets which are far from competitive; they escape intervention when they ought not.

This unevenness is a weakness, and it is probably an intrinsic weakness. We can perhaps do something about the building trades and the construction industry, but not every such situation can be touched by an informal procedure.

This is a danger. It is bad because the uneven incidence of incomes policy can have relative price and profit effects, and distort the flow of resources. It is bad for another reason: our sort of guidepost policy can function if and only if it can enlist public opinion, but public opinion will not long support a policy marred by obvious inequity. The problem may be insoluble. One can hope that it is not so serious as to undermine the policy altogether.

I want to conclude with some brief remarks on another difficult—but perhaps barely soluble—problem for a guideposts policy. That is the problem of how the guidepost figure ought to be set, and the even tougher problem of how it ought to be set when the immediate past has seen rising prices.

Generally speaking, I have held to the view that the "correct" guidepost figure—or range—is a technical matter, best settled by technicians. In principle one is after an elusive number, the current trend-rate of increase of productivity, cleansed of short-run fluctuations but still sensitive to those forces that determine the long-run advance of productivity. That is a tall order. I can imagine any group of technicians agreeing finally on a method and its results. It is harder to imagine representatives of labor and management, presented with the problem, doing anything but bargain over it. If that process were helpful, we would have no need of guideposts.

Nevertheless I have become persuaded that an informal incomes policy is unlikely to work well—or is likely to work better—if the parties to whom it applies can participate in its making. I am not certain that this can be done without turning the whole thing into ideological posturing; but perhaps it is worth a try. I have in mind a small annual conference, carefully prepared by technicians and sponsored perhaps by the Council of Economic Advisers and the Labor-Management Advisory Committee (if the latter can be any better in the future than it has been in the past). The object of such a tripartite conference would be an exchange of views, perhaps even a meeting of minds, on the key questions for any incomes policy: what is happening to productivity? how big a wage increase on the average will be compatible with price stability during the coming year? What are likely to be the troublesome sectors? My heart sinks whenever I think of tripartite get-togethers; and this would be a particularly tough one.

Some such innovation may be a necessity under current circumstances. When the guideposts were first promulgated in 1962, they had the important advantage of beginning from a base of stable prices. They could plausibly recommend the appropriate rate of wage increases for an environment of continuing price stability. The 1967 version of the guideposts will have lost that advantage. The Consumer Price Index will have risen some 3% in the year preceding. Barring a good-sized recession, it will be idle to speak of a constant price level in the year immediately ahead. How, then, should the guidepost figures for prices and wages be determined?

Two extremes can be ruled out. It would be worse than useless to stick to the simple rate of productivity increase on the hypothesis that inflation is after all what we are trying to avoid. No trade union can accept a wage increase of 3.0-3.5% when it has every reason to expect a price increase of the same order of magnitude. Nor would it be good social policy anyway. To tack the going rate of price increase on to the productivity figure would be equally fruitless. As an attempt to regain price stability at the expense of profits, it would certainly fail. The more likely outcome would be continuation of the inflation.

Some viable compromise is necessary. A conference of the sort I have mentioned might conceivably agree on something like the following: the rate of inflation is to be brought down from 3% to 1%, say, in two years. Wage bargains will meet the guidelines—apart from the usual exceptions—if they add 2% to the base productivity figure in the first year and 1% in the second. These increases—again subject to the usual exceptions—may be passed on in prices. Obviously the Administration will have to commit itself to the implied gradual deceleration of prices. The Administration and the parties will have to realize that if the joint effort fails there will eventually have to be a deflationary monetary-fiscal policy and an interruption of real expansion with the loss of employment and profits—and votes—that is implied.

I am the first to admit that it is hard to imagine anything quite so rational taking place in an economy in which business, labor, and government are as diffuse as in ours. There are simpler devices possible, including some retroactive amendment of the guidelines. But I merely want to call your attention to the sort of thing that is necessary if we are to find some other way of policing the price level than unemployment and recession.

We are getting closer and closer to our domestic policy goals. It would be very nice to reduce unemployment still further, without unacceptable inflation, because the main beneficiaries are likely to be Negroes, youth, the unskilled, the uneducated. Any small contribution that the guideposts can make should be welcome. If military expenditures rise above presently-budgeted levels, it is likely that the economy will move outside the band within which guideposts can be useful. If that is so, then only a combination of (a) slowing down—but not abandoning—real expansion and (b) a direct approach through enlarged manpower policy focused on specific bottlenecks is left as an alternative to deflation and recession. Even so, I would not abandon the guideposts. I think the idea ought to be kept alive both for whatever use it is against the revival of inflationary expectations, and because we will no doubt be back in that middle band of economic conditions again.

THE WAGE-PRICE ISSUE

Discussion

The main discussant of Robert Solow's paper was Professor John T. Dunlop, of the Department of Economics at Harvard University. What follows is a summary of Professor Dunlop's remarks.

John T. Dunlop: At the outset, Dunlop expressed the view that the guideposts had probably exercised a restraining influence on price increases when the unemployment rate was above the 4 percent level. He agreed with Professor Solow's statement that when unemployment rates are high (say above 5.5 percent) prices tend to police themselves. However, when the unemployment rate lies between 2 and 4 percent, the guideposts can no longer be effective and new measures are called for.

The guideposts are ineffective for a variety of reasons. They are not expressed in terms that are meaningful to management or union decision makers. To express the whole bargaining package in one figure, 3.2%, is nonsense if it is meant to be transferred into action. The guideposts were devised and issued without consulting seriously either labor or business representatives. In its attempts to enforce the guideposts, the Council of Economic Advisers (CEA) is being transferred into an administrative agency. The CEA is simply not equipped for this task. Moreover, there is no standard method for selecting specific parties for attention. There is no formal review machinery, just a peculiar singling out of the most obvious, but by no means the most blatant, offenders for Presidential attention. In sum, as we approach full employment, the administrative exhortations and guideposts are inadequate to combat the pressures of inflation.

To cope with inflationary pressures when the unemployment rate lies in the 2-4 percent range, we must develop viable and applicable anti-inflationary policies. A partial solution lies in the adoption of a series of coordinated government policies designed to deal with manpower bottlenecks which arise when unemployment is down in the neighborhood of 3 percent. Such bottlenecks occur commonly in the medical field, maritime, transport, and local public services industries. At the moment, the federal government is not well equipped to deal with these problems. The CEA should be freed of any responsibility to deal with these bottleneck sectors. What is needed is a new Office of Economic Stabilization which would deal with the coordination of various branches of economic policy, and with the conflicting interests of labor and management. We can always solve the problem of inflation through controls or through unemployment, but the challenge is to deal with inflation without controls when unemployment is in the 2 to 4 percent range. Over the next decade, we should be exploring ways that government can work to ease the pressures in the bottleneck sectors.

PART III

SPECIAL PROBLEMS OF THE DISADVANTAGED WORKER

5

JOBS FOR THE HARD-TO-EMPLOY IN PRIVATE ENTERPRISE

Frank H. Cassell

Director, U.S. Employment Service

In 1951, the editors of Fortune devoted their February issue to what they called "The Permanent Revolution." The purpose was to recall the fundamental principles laid down by the founding fathers and to show how these principles have withstood the tests of time.

The inalienable rights with which every man is born were spelled out in the Declaration of Independence—Life, Liberty, and the Pursuit of Happiness. The Fortune editors maintained that belief in these rights has lived in the hearts of all Americans since the beginning, and that the Nation's development is a history of struggle to define and maintain those rights. They pointed out that America started with a revolution and as an experiment, and that these still go on—always a revolution to right a wrong, and experimentation in ways to do it. Our present revolution is one of manpower—the development and use of human resources—and which, of course, if we stop to think about it, goes back to our belief in those same basic rights of the individual.

Since work—a job—is fundamental in attaining these rights in today's highly industrialized economy, we might in this context loosely define Life in terms of *equal opportunity, Liberty* as the freedom to make our own choices, and the Pursuit of Happiness as the chance to develop and express ourselves through work in keeping with our abilities, interests, and ambitions.

As an arm of government concerned with people and jobs, the public employment service is deeply involved in the manpower revolution and the development and use of human resources.

Jobs in Private Enterprise

When we look back 25 years, we remember that it took a Pearl Harbor and a global war to jolt us out of the Great Depression with its 17 percent unemployment rate—those dark years when engineering college graduates now so in demand were selling vacuum cleaners door-to-door and so many people, no matter how skilled or talented, were doing any kind of work they could get in order to survive. People from the bottom to the top of the occupational scale were out of work. During World War II the upward surge in employment was phenomenal as all available manpower was recruited to fill the job needs.

Even at the end of the war the bleak specter of the depression years still haunted the minds of the people with the fear it would return when the millions of fighting men came back to try to get jobs. To help lay this ghost, the Employment Act of 1946 came into being and established Federal responsibility "to promote maximum production, employment, and purchasing power." But mass unemployment such as that of the 1930's did not materialize as industry converted back to civilian production, as women withdrew from the job market, and as so many returning veterans took advantage of the education and training opportunities offered by the GI Bill of Rights. The Employment Act of 1946, however, established a national policy that paved the way for future legislation to help increase employment and develop our manpower capability.

What happened in the 1950's is familiar to all of us. The gigantic industrial transformations triggered by the strides made in science and technology simultaneously created new jobs and made many skills obsolete. Coupled with that and a growing population with increased urbanization came decentralization and suburbanization of industries, leaving many urban and rural areas plagued with high unemployment and depleted resources. The upward economic trend was broken four times by shallow downswings. But each recession, like a receding wave, left a residue of unemployment in its wake, so that by early 1961, unemployment had built up to almost

7 percent. Unlike the unemployment of the depression, this was concentrated at the bottom of the occupational scale and among the minority groups.

The year 1956 was an important turning point. For the first time in our history, white-collar workers outnumbered the blue-collar ones. It was indicative of the changing panorama of kinds of occupations most in demand—jobs requiring higher skills and more education—and sounded the tocsin for masses of the uneducated and unskilled.

As national concern mounted over the plight of the unemployed and displaced in a time of unprecedented economic prosperity, the situation brought forth legislative action—again the revolution and experiment coming to the fore. The pioneering legislation was the Area Redevelopment Act of 1961, which soon was followed by the Manpower Development and Training Act and the Trade Expansion Act designed to train and retrain workers for needed occupations. Then came the Vocational Education Act of 1963, the Civil Rights Act and the Economic Opportunity Act. The Manpower Development and Training Act was amended in 1963 and again in 1965 to broaden its scope and provide more opportunities for training those who were being by-passed by the upsurge of the economy. The Employment Service has deep responsibilities in all this manpower legislation, which is requiring it to expand and adapt its operations to fulfill its obligations to the American people.

The present economic boom, coupled with the national effort to boost employment from the grass roots on up, has now brought the unemployment rate to a low of about 3.7 percent. But as all of us know, *when we solve one problem we create another*. However, problems are the substance of American life and are part of our permanent revolution. Now, in place of labor surpluses, in many areas we are experiencing shortages, particularly for highly skilled work and in low-paid common labor jobs.

The tightening manpower situation is already of major concern to the President. He has asked labor and management to work with Federal agencies to find "bold new approaches" to avoid a general labor shortage. One aspect here, of course, is the danger of inflation. As we all know, when we have labor shortages, employers will compete with each other in hiring the same workers, or they will hire less productive workers and thus boost labor costs. Also, lack of workers can create bottlenecks in production which limit the supply of goods and services and lead to price increases.

The other aspect is our national determination to achieve full employment and to break the poverty cycle—which boils down to our concern for the individual and his rights. It is that remaining some 3 percent unemployed on which we must now center attention, both for the sake of the individual and for our Nation's continuing strength and leadership. So now we face the problem of what we can do with those marginal workers of hard-core unemployed, many of whom because of discouragement have become too apathetic even to look for jobs, and what we can do to help them become employable and employed—to become productive workers actively contributing to their own and the Nation's well-being.

Many of us have a tendency to think of the hard-core unemployed as a static group, the same people leading, to use Thoreau's words, "lives of quiet desperation,"—and some far from quiet. But this is not so, for this segment is constantly changing as individuals move in and out of the job market.

With today's 3.1 percent unemployment, the skilled and educated, the experienced, the able-bodied whites, and the trained nonwhites almost all have jobs. The heaviest unemployment is among those with low educational attainment and who lack salable skills. Unemployment of youth between 16 and 21 years of age is nearly three times the average for all workers, and nonwhites average about twice the overall rate.

Many of the hard-core unemployed have hopped from job to job, or have poorly developed work habits, high absentee records, garnishment records, or personal habits that stand in the way of their holding a job. Many of the unemployed are illiterate, and even the lowliest job requires at least the ability to read signs, labels, and directions. Others have skills that have become obsolete, or they live in areas of high unemployment, where industries that have been the local mainstay for employment have closed down or moved to another locality. Some are not ready for work and need preparation for it; others have poor health or uncorrected physical handicaps. Many have a long history of defeat and failure stemming from poverty and disadvantage and from a hopelessness that feeds upon itself. Yet each is an individual, most of whom have possibilities for rehabilitation or development to become productive members of society.

Solving these problems is going to require reorientation in our thinking. In the face of labor shortages, we are going to have to reach down into this undeveloped human resource and find ways to train, rehabilitate, and bring them into the labor force. One way to look at this is to compare a 6 percent and a 3 percent unemployment rate from the employer's standpoint. At 6 percent, industry can be highly selective and keep hiring requirements high. Employers can choose those with the best education, the most physically and mentally fit, those who show the most promise for promotion, the most mobile, and in general, those who have the best qualifications for the jobs. At the 6 percent level, the employer can reject even the substantially well qualified, and certainly he shies away from employing those with unstable work records, police records, or indications of poor character and unsatisfactory job performance. Also, at the 6 percent level, the quality of the labor force is such that people can be hired and trained to fill job openings at the higher skill levels where shortages may have existed and to hire people who are promotable.

This is the work for which personnel people in industry have been trained. Their performance is measured by the productivity of the people they hire, their skill, their dependability, their adaptability, and how well they fit into the organization.

Their own standing in their organizations rests on judgment of people and the ability to select out the most able from the less or least able. They are taught and learn the danger signals that warn them to reject quickly the potential marginal workers—those whose records reveal such problem potentials as high absenteeism, police or arrest records, apprehension for narcotics addiction, job hopping, bad garnishment records and credit problems. In other words, the training of personnel people in industry is attuned to identifying the advantaged part of the workforce and the selection of the fittest.

The same thing is true with corporate training directors. The experience of most of them is with the fittest, the ones who have the most possibilities. The curriculum, the tests, in fact the entire program is designed for those who learn most quickly and easily, who fit readily into the routine, who respect authority and adjust to discipline, and in general conform easily to the customs and practices of the workforce.

Much the same thing is true with the public employment service. In our efforts to match persons and jobs, our experience, our tests, and our counseling procedures have, on the whole, been based on middle class concepts. This is true even in our special services to such hard-to-place groups as inexperienced and unskilled youth, older workers, minority groups, the handicapped, and others. We, too, are having to readjust our thinking and explore all channels in finding ways to reach and help the disadvantaged unemployed.

In the face of growing labor shortages, educational requirements are being reduced; hiring ages are raised or lowered; personal appearance becomes less important; it is found that people can be trained faster than we had assumed; physical requirements are lowered; and a second and even a third look are taken at the unstable job records, police and arrest records, and many other factors which once were given short shrift.

This however, is something for which the personnel man's background and training have not necessarily equipped him.

He is treading on new territory, for his reward system has been attuned to excluding these people and to hiring only the best. His tests were standardized on the fittest, and he has no tools to cope with the problem of deviations from his set pattern. The same is true with the training director when he is asked to train the least qualified, for this is an area in which he has no experience.

These are the people to whom we must turn for help in developing jobs and training for the hard-to-employ. We ask them to turn their backs upon their experience and training and start thinking in new directions that involve employing and training the most disadvantaged segment of our population. It is not their fault, for almost without realizing it three important policies have now become a part of our life—our revolution and experiment in achieving full employment, eliminating poverty, and ending dependency by liberating the disadvantaged from the idea of charity and helping them become self-sufficient and including *all* Americans in our workforce. Suddenly, we are including everybody in our plans.

One of the new occupations emerging from our war on poverty and joblessness is that of job developer. The role of job developer is not an easy one. His job is to persuade employers to hire the hard-to-employ, the ones in the past they would not consider at all. In general, the job developer is confronted with reluctance on the part of the employer to clog up his seniority sequences with such people. He is apprehensive as to their productivity; he considers the costliness of training them; he is doubtful as to how they will fit into the rest of his workforce. Although at high levels an employee who can make significant contributions can be as much of a non-conformist as he chooses, at the lower levels there is little room for nonconformity in manner of dress, personal appearance and behavior. Also, while top management may take the broad, humanistic point of view, it must consider that the hard-to-employ will come in at the lowest levels where foremen may not be equipped to handle the problem. They may have strong feelings about race or have little understanding or sympathy for the problems of the disadvantaged, and may feel that hiring such people will interfere with their productivity records.

The saving graces are that in a period of full employment we can experiment and learn to employ and train the disadvantaged unemployed; and that human beings, if given the chance, usually are more able than we think they are, and want to be useful and employed more than we assume. The latter has been proved time and again in our training programs under the Manpower Development and Training Act, in the various youth programs set up under the Economic Opportunity Act, and in scores of other programs under both public and private sponsorship.

One non-government administered program is Job Opportunities Through Better Skills (JOBS), a cooperative project of the Chicago Boys Club, the Chicago Youth Centers and the YMCA of Metropolitan Chicago, The Department of Labor, Health, Education and Welfare, and The Office of Economic Opportunity. Now training its third group, the curriculum covers subjects from credit education to employment counseling, and vocational training in a variety of occupations. Ninety-five percent of the trainees are Negroes; on the average they dropped out of school at the tenth grade, but have only a fifth grade academic achievement level. The JOBS people have discovered in their work with disadvantaged youth that "The disadvantaged young adult can be trained and trained well for gainful employment. The greatest problem in training him is the assessment of his capacities. Too often programs underestimate a trainee's capacity for learning and work." JOBS has placed many young adults in jobs and has found that if the employer manifests a personal interest in the new young worker and gives an impression that he cares, the new employee usually responds favorably and adjusts well to working conditions. The point is that a great deal of understanding is required by the employer regarding the employee during his training period and demands a sensitivity to his adjustment to the world of work and its realities.

In this connection experience suggests that the job development people of both public and private agencies would find it productive to work with foremen and personnel people to anticipate well in advance of the employment of such people the complex on-the-job human relations situations to which solutions are needed. These include especially an understanding by the supervisory hierarchy that the foremen's attempts to cope with situations which are strange to him, often uncomfortable, frequently have an adverse effect, even though temporary, upon the performance of his unit.

Furthermore, some means need to be found to protect the status in the organization of the personnel man who hires these people. Certainly he should not be penalized for bringing in workers who are not up to the standards which prevailed at 6 percent unemployment. His reputation is on the line, and one can understand his reluctance to cooperate with the job developer. This can be handled only by assistance from the top of the company.

Those who are the job market intermediaries must first of all be honest with the employers we are trying to convince to employ and train the hard-to-employ. We cannot gloss over the problems involved, or the fact that at the beginning the hard-to-place may not be fully productive.

Many progressive employers have taken the initiative to set up programs for people who lack skills for employment or promotion. The Western Electric Company in Chicago is an example. This company has programs for people from both inside and outside its organization who need further training to get jobs there or for promotion to better jobs. These include a 4-week pre-employment typist program for applicants below employment standards in typing skill. The trainees work 40 hours a week on salary and leave training when they reach the minimum skill required for placement within the Western Electric Company. There is a similar program of 6-weeks duration for Comptometer operations, and a 2-week on-the-job training program for relay adjusters and electronic testers. The company also has an "Operation Bootstrap" program for present employees to gain skills and more education for promotion—high school credit classes taught at the plant, English classes for the non-English speaking employees, and the like. This type of program is of special interest because it helps the present employees move up the job ladder and make room for entry workers below. Western Electric also has developed a cooperative vocational guidance program for disadvantaged youth from a slum area high school, wherein these young people have an opportunity to visit the plant and talk over career interests with workers and personnel people.

If we are to achieve full employment and end poverty and dependence, we know that the many hard-core unemployed must be employed somewhere, either in private industry or in public works. The experiences with young people coming out of programs such as JOBS, the various youth corps and rehabilitation programs for the physically and mentally handicapped and the like, show that there is urgent need for placing them in productive jobs and not in "make work" projects. They need work that brings rewards; and for the young, especially, a chance to move upward. Either these youth are aided to enter the mainstream of American life as useful, working people not alienated from the rest of society, or they will become a part of the explosive forces of our big cities.

Furthermore, as a Nation we cannot afford the crippling effects of unemployment upon the individual. In the report issued in 1963 by the Illinois Governor's Committee on Unemployment, the concern of the committee for the individual was expressed as follows: "In a society where the common belief is that men who work are useful and those who do not work are not useful, unemployment becomes more than a problem of economics; it becomes one with deep and personal undertones. A job provides not only income, it provides standing in the community and self-respect. A job, and not just the income from it, is as much a necessity for the average American as is his daily bread, the clothing he wears, and the shelter over his head."

The committee went on to say: "It is the effect of unemployment on the individual that causes the added concern, the unfortunate results on family life, the corroding effects upon standards of public and private behavior. Unemployment, probably more than any other ailment afflicting modern man, operates to cut the person affected off from the society around him."

This should be of vital concern to every American who believes in individualism, in self-sufficiency, and in those basic rights that are at the core of our democratic ideal. Every effort must be made to open up employment opportunities for the disadvantaged and hard-to-place, to help end the debilitating and self-perpetuating dependency cycle—to crack the barrier which prevents so many of our people from participating in occupational mobility upward and having a chance to rise out of the slum and the ghetto and above the mentality which they create.

While it is easy to talk in broad, humanistic terms and expound on ideals, it is what we do about them that matters. Setting a policy is one thing; carrying it out is another. We, employers and job market intermediaries, may not be fully prepared or trained to do this job, but as human beings we do have feelings and compassion for our fellow human beings, and because of them we can learn and experiment in ways to make success possible.

In working together on this problem, employers and the intermediaries must balance each other in the sense that for those persons rehabilitated or made employable, jobs must be made available.

The entire problem presents a challenge both to employers and job market intermediaries as well as a reorientation in our thinking and preconceived ideas about the disadvantaged. Actually, we have a vast, untapped reservoir of human resources here. We might put it this way: Industry learned long ago, and still is learning, that what once was considered waste need not be that at all and through research and creative thinking whole new industries and useful products have evolved from what was once cast aside. If this is true with natural resources, might not the same thing be true with human resources? Our trouble may be that our knowledge of materials has outstripped our knowledge of people and what they can do if given opportunity, encouragement, and incentive.

Thus, employers need to put aside many preconceptions about the disadvantaged and, as they hire them or train them, accept each on his own merits, recognizing that though the desire to succeed may be there, they often have an expectation of failure. Top management needs to appreciate the sensitivities involved and the potential for trauma both to the trainee and to the foreman for whom he works. It is highly important that ways be found to help many foremen reorient their thinking about the disadvantaged. It may well be that the foreman himself comes from a disadvantaged background and through his own efforts and perhaps a bit of luck, has managed to rise above it. He may look down on the disadvantaged, those who have a hard time getting jobs, and have little patience with them or understanding of their problems.

On the other hand, the job developers must understand the problems of the employer in adjusting his thinking regarding the inclusion of the disadvantaged hard-to-employ in his workforce. He has his own organization to consider, its image and record of productivity, his responsibility to the stockholders, and long-established standards he is expected to uphold.

For this reason, it is essential that the job market intermediaries and the personnel people, both public and private—and this includes the Employment Service—recognize the futility and even harm of referring unemployables to employers. This is something we must avoid for the sake of both employer and applicant. It builds up resistance on the part of the employer to interviewing other referrals and adds only deeper feelings of rejection and despair on the part of the applicant. In other words, in placing the disadvantaged, we must avoid creating a revolving door situation. Before we try to sell an employer on hiring one of these people, we must be certain we have something to sell and that we have prepared the way.

This means, of course, that we must first concentrate attention on making them employable. For many people, pre-employment training means also a need for more basic education, or psychological help, or medical attention and often a variety of rehabilitative services before they are even ready to start learning a skill. Others need only counseling, and still others need on-the-job training supplemented with continuing adjustment guidance.

In preparing severely disadvantaged youth for training or jobs, we might consider techniques similar to the "half-way house" concept now being used successfully with the mentally retarded. The idea is to ease them gradually into the world of work. An example of the process is the work being done by the Philadelphia Jewish Employment and Vocational Service, in cooperation with the Pennsylvania State Employment Service, to evaluate and improve the employability of school dropouts. Three hundred and thirty-one boys and girls between the ages of 17 and 22 who were out of school and out of work and who could not be referred to jobs or training were served by the JEVS Work Adjustment Center.

The process involved situational assessment through the use of work samples, productive work, and intensive psychological testing of aptitude and personality factors. The evaluation was followed by a guided work adjustment experience to improve work attitudes and patterns for a period of about 8 weeks. The work began with very simple tasks under sympathetic guidance and personal interest. The tasks gradually increased in difficulty, with diminishing personal attention and support from the supervisors until, in the final stage they were working under actual factory conditions—punching time clocks, paid on a productivity basis, reprimanded if needed and, in general, treated as regular factory workers expected to do a good job. Academic remedies and individual and group counseling were part of the developmental process. Of the group, 165 completed the program and returned to local Employment Service offices. All were placed in competitive employment.

There is a great need for developing more on-the-job training programs. The Employment Service has found that this is one of the most effective methods of developing job opportunities for hard-to-place individuals. It involves both immediate paid work and a powerful incentive to succeed, since usually the trainee stays on the payroll if he successfully completes the training. The Government contributes to the training costs and provides technical assistance under the Manpower Development and Training Act. One of the first large involvements by private industry in this type of job development program was a contract with a major automobile company that agreed to train 1,000 unemployed workers as automobile mechanics and body repairmen. A number of major corporations are carrying on Federally subsidized projects. For the most part, these subsidized programs more than pay for themselves. Over a period of five or six years, the trainees will repay the cost of training in taxes, not to mention their contribution to the national output and the reduction in unemployment insurance and welfare costs. More of these on-the-job training programs can be developed and made possible only through more extensive employer cooperation and with enough monetary assistance provided so that small employers also can participate.

Undergirding Employment Service operations is the job market information it collects on a continuing basis. This includes identification of areas of high unemployment, areas and occupations needing people, area skill surveys, occupational research, job vacancy studies, labor mobility demonstration projects, and studies on the effects of automation. Through occupational analysis, much progress has been made on identifying jobs and what each involves and requires. The newly published third edition of the DICTIONARY OF OCCUPATIONAL TITLES defines and analyzes nearly 22,000 jobs, listed under some 36,000 job titles, currently in the American economy. Such information is vital for effective recruitment, training, and job placement. It is an important tool for our industrial services program that helps employers restructure jobs in such a way as to make maximum use of scarce skills and to create more simple jobs for entry workers.

Peter Drucker, in his book "Concept of the Corporation," tells of methods used to break down jobs during World War II, when unskilled workers had to be used for highly complex jobs because the skilled workers were not available. He points out that in certain assembly line operations, a skilled job was reconstructed out of its unskilled components. Then, he says "the unskilled components were put together again with the result that an unskilled worker, doing a series of unskilled operations, actually performed the job of a highly skilled mechanic—and did it as reliably and as efficiently as had been done by skilled men." I mention this only as an example of what can be done through initiative and creative thinking to solve a seemingly unsolvable problem.

The Employment Service has made a number of comprehensive studies of the hard-core unemployed in areas of high unemployment. A study conducted in Detroit is a case in point. Here many of those unemployed for a long time were also long-time welfare cases, and their attitudes and habits associated with unemployment were fixed. Their educational level was low as were their skills. About half were willing to relocate and almost all expressed an interest in retraining. But counseling proved to be highly important—not the usual vocational counseling but the type that could reveal a deeper insight into the individual's total life situation, self-concept, level of aspiration, and any remedial needs such as educational, psychiatric, or medical assistance. This information was necessary in order to develop effective training programs. The intensive counseling brought to light that, roughly, the unemployed fell into three groups: Those who, with some counseling, qualified for referral to jobs; those still in the process of adjustment and who needed continuing counseling to become "marketable," and some who need remedial help from other agencies; and those who wanted no part of help from social agencies, counseling or community assistance to become employable.

In working toward full employment and the elimination of poverty, the public employment service must work closely with educators and with rehabilitative and community agencies at the national, State, and local levels. Much of the accent today is on youth as a safeguard against future dependency, poverty, and lack of jobs. The Employment Service has been establishing Youth Opportunity Centers proximate to slum-ridden sections of metropolitan areas. The plans are to increase the number of areas in which the YOC's are located from 139 in fiscal 1966-67 to 232 metropolitan areas by the end of 1972. The Centers provide young people with a designated place for all youth to go for highly personalized services to increase employability and to obtain jobs. The emphasis is on the disadvantaged who are assisted through counseling, referral to vocational and prevocational training and work training programs ultimately to achieve satisfactory employment. Because so many of these youth are too alienated and suspicious of authority, or too apathetic or have too strong feelings of failure to come to the Centers on their own initiative, specially trained youth advisors and community workers must go into the slums to find them and bring them in. This is a new concept in youth employment services, but one in which we are finding great significance and achieving results.

The Employment Service also has responsibility for recruiting, selecting and referring youth to the Job Corps, to Neighborhood Youth Corps projects, and to MDTA training, with job placement and follow-up after training. It also provides special services to Selective Service rejectees. In all, the clientele includes the dropouts, the juvenile delinquents, the parolees, and all manner of youth who need all kinds of help to become employable, productive, and self-sustaining adults.

In these new services, counseling has become of vital importance, and here again we are faced with the need for new techniques and tools with which to work. Counseling the disadvantaged, both youth and adults, requires teamwork with other groups, a far deeper understanding of the problems involved, and a search for ways to *penetrate a veneer* of *social mores* for which we have not been prepared either by professional training or experience.

Thus, while we focus attention on what to do about the disadvantaged and hard-core unemployed, *training and education are necessary also for the job market intermediaries who guide, counsel, employ, teach and train them.* In other words, there is need for massive education for all of us concerned with eventual employment of the hard-to-place, the disadvantaged and poverty stricken. It is a problem in which universities, social agencies, labor and management, government and other groups must contribute their research and understanding, and make their knowledge and insight available throughout all levels of society. We need to know all we can learn about the alienated members of our society. We need to take a closer look at such devices as psychological tests to assure that they are measuring what they should be measuring and are not screening people out of opportunity and away from the chance to become employable.

All concerned with manpower and the development of human resources must educate themselves regarding how to bring the hard-core unemployed into the mainstream of American life. It is being done, and it can be done. The time is ripe in a period of high employment to take advantage of this chance to exhibit our social consciousness and concern for the individual through devising means and making concrete efforts to help those who need it most. Now is the time to work on reducing racial discrimination and enlarging opportunities for minorities. It is the time to work on improving means to help people move to where jobs exist. It is the time to create pre-employment training programs to prepare people for work, to provide on-the-job training, to help youth continue education to prevent future unemployment, to help people build up a work record that will get them on the upward mobility escalator.

This is part of the American heritage of revolution and experiment, our belief in individual rights. In his weekly column in the ILLUSTRATED LONDON NEWS of February 19, 1966, Arthur Bryant says that for a Nation to remain stable it needs "a constant reminder *of the all-importance of men*, rather than measures; of character and the institutions and traditions that form character, rather than of ideas and intellectual abstractions." He goes on to say that "this is particularly true in an age of rapid technological and social change like ours when new problems, new legislation, and new notions and fashions of thought follow one another with such rapidity that few have time to think out and assess their implications."

To my mind, his thoughts apply to us as well as to England. If we are to work toward making full use of our human resources and maintain stability, we must take time to think things through, to be flexible in our thinking, and devise ways in which those who want to work, who want to get out of the vicious poverty cycle, can get the help and hope they need.

6

TEENAGE LABOR PROBLEMS AND THE NEIGHBORHOOD YOUTH CORPS

JOSEPH D. MOONEY
Princeton University

FOR too many years now, the problem of providing gainful employment for all of our teenagers who want to work has been a most serious one. Although both training allowances for teenagers under the Manpower Development and Training Act and appropriations for vocational education were increased in recent years, no large-scale special programs for teenagers were established until last year. Then, the federal government, under the mantle of the "war on poverty," established two new programs—the Job Corps and the Neighborhood Youth Corps, both designed in different ways to facilitate the entry of teenagers from disadvantaged low-income families into the work-place. The main body of this paper will be concerned with a preliminary evaluation of one of these programs, the Neighborhood Youth Corps, based on experiences in the cities of Newark and Trenton, New Jersey. However, before the results of these two first-cut evaluation studies are examined, a brief and very general quantitative profile of teenage labor problems will be presented in order to put the whole question of the teenager as a worker into some sort of perspective.

I. *Quantitative Aspects of the Teenager's Employment Situation*

A. *Background and recent history*

The teenage worker and the labor market within which he operates are very special in many ways. Many teenagers are both in the labor force and in school. Others, who may be out of school and looking for full-time work, have only a casual attachment to the work-place in the sense that they frequently change jobs and thus "shop around" in search of the "right" job. Still others, most of whom are still in school, are looking for part-time work, often just for one day on a weekend. A large number of those teenagers and young adults (ages 20-24) who are out of school and in the labor force full time will soon be doing military service and thus their present job may simply be regarded by them as a temporary way-station before the Army "hires" them. Finally, the teenage population has been growing very rapidly in recent years, thereby compounding many of the problems which a teenager faces in today's labor market.

The unemployment rate for all teenagers had been shockingly high for many years. Table 1 indicates the annual average unemployment rates for all civilian workers and the annual average unemployment rates for all teenagers and various subgroups of the teenage labor force for the years 1961 to 1965. The year 1961 marks the beginning of the present economic expansion. The numbers in parentheses just beneath the teenage unemployment rates were computed by dividing the annual teenage unemployment rates by the national unemployment rate for the corresponding year. The resulting figures indicate how the teenage unemployment rate has been changing relative to the national unemployment rate and is a crude measure of any structural changes in the teenager's employment situation. The figures for February, 1966 are listed separately.

For all teenagers, the unemployment situation worsened between 1961 and 1963. Since 1963, the unemployment rates for white teenagers, both males and females, have dropped sharply. A glance at rows (5) and (6), however, indicates that improvement for non-white teenagers has been painfully slow. Indeed, the unemployment rate of non-white male teenagers in February, 1966 was actually higher than its 1965 annual average (23.8 per cent vs. 22.6 per cent).

The numbers in parentheses in Table 1 indicate that rela-

TABLE 1

A COMPARISON OF SELECTED TEENAGE UNEMPLOYMENT RATES WITH THE NATIONAL UNEMPLOYMENT RATE, 1961-1965, AND FOR FEBRUARY, 1966

	ANNUAL	*AVERAGES*				*Feb.*
	1961	*1962*	*1963*	*1964*	*1965*	*1966*
1) NATIONAL UNEMPLOYMENT RATE	6.7	5.6	5.7	5.2	4.6	3.7
2) TOTAL TEENAGE UNEMPLOYMENT RATE (AGES 14-19)	15.2 (2.3)	13.3 (2.4)	15.6 (2.7)	14.7 (2.8)	13.6 (3.0)	10.9 (2.9)
3) TOTAL WHITE MALE TEENAGE UNEMPLOYMENT RATE (AGES 14-19)	14.1 (2.1)	12.3 (2.2)	14.2 (2.5)	13.4 (2.6)	11.8 (2.6)	8.6 (2.3)
4) TOTAL WHITE FEMALE UNEMPLOYMENT RATE (AGES 14-19)	13.5 (2.0)	11.5 (2.1)	13.6 (2.4)	13.2 (2.5)	12.6 (2.7)	9.6 (2.6)
5) TOTAL NON-WHITE MALE UNEMPLOYMENT RATE (AGES 14-19)	24.7 (3.7)	20.7 (3.7)	25.4 (4.5)	23.3 (4.5)	22.6 (4.9)	23.8 (6.4)
6) TOTAL NON-WHITE FEMALE UNEMPLOYMENT RATE (AGES 14-19)	26.6 (4.0)	28.2 (5.0)	33.1 (5.8)	30.6 (5.9)	29.8 (6.5)	27.3 (7.4)

Source: The annual data for 1961-1965 were obtained from "Employment and Earnings, and Monthly Report on the Labor Force" (U.S. Department of Labor Bureau of Labor Statistics, February 1966). The February 1966 data were provided by the Bureau of Labor Statistics. All the data have been seasonally adjusted.

tive to the national picture the unemployment problem of teenagers has shown an almost continual worsening between 1961 and 1965. Whereas in 1961 the over-all teenage unemployment rate was 2.3 times the national unemployment rate, in February, 1966 it was 2.9 times the national rate. Clearly, the non-white teenager has borne the brunt of this relative deterioration. The non-white female teenager's unemployment rate which was 4.0 times the national rate in 1961 has risen so that it is now 7.4 times the national rate. The non-white male teenager has fared only slightly better than his female counterpart. Thus, there is a certain amount of statistical evidence which suggests that the unemployment problems of teenagers, especially non-white teenagers, have undergone some structural worsening in recent years.[1]

To offset some of the dire implications of the above statistics, certain qualities of the teenager *qua* worker should be cited. Among the unemployed teenagers are youth whose major activity is going to school but who are looking for part-time work. Such individuals are counted as fully unemployed. The in-school teenagers who are looking for part-time work constituted 35.0 per cent of all unemployed teenagers in February, 1965, but 44.2 per cent in February, 1966.[2] Clearly, some teenagers who are remaining in school may need a job to enable them to do so. Nevertheless, it is likely that the economic and social loss of this type of unemployment, when contrasted with certain other types, is rather insignificant. It was mentioned earlier that teenagers change jobs frequently in search of the "right" job. This means that they have high levels of (somewhat unavoidable) frictional unemployment. Large proportions of them are new entrants or intermittent reentrants to the labor force.[3] In analyzing the over-all high unemployment levels of teenagers, some allowance should be made for the fact that the frictional component of their total unemployment is undoubtedly higher than for the average adult worker.

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[1] Because it lies outside the boundaries of the main subject matter of this paper, no attempt is made herein to explain this structural worsening. One attempt to explain the structural unemployment problems of teenagers came to my attention after this paper was written. Edward Kalachek argues that the unemployment rates which have occurred during the expansion of 1961-1964 should be distinguished from the same unemployment rates which occurred during cyclical upswings and downswings from the end of the war to 1961. Kalachek argues and demonstrates that the composition of the gross flows into unemployment were different in the years 1961-1964 than in earlier years. Previously employed persons accounted for 66 per cent of the gross flow into unemployment in 1954 and 60 per cent in 1959. They accounted for a still lower and continuously falling proportion during the current expansion—57 per cent in 1962, 55 per cent in 1963, and 48 per cent in 1964. As the current expansion progressed, flows into unemployment were thus increasingly dominated by labor force entrants. These developments explain the low proportion of adult males in current total unemployment and the high proportion of teenagers and women. On the other hand, Kalachek does not explain why the non-white teenager bears a disproportionate amount, if not the entire amount, of this structural worsening among teenagers. See Edward A. Kalachek, "The Composition of Unemployment and Public Policy" in R. A. Gordon and Margaret S. Gordon, editors, *Prosperity and Unemployment* (John Wiley and Sons, New York, 1966), pp. 227-245.

[2] These figures are taken from "Employment and Earnings and Monthly Report on the Labor Force" (U.S. Department of Labor, Bureau of Labor Statistics, March 1966). Table A-13, p. 29.

B. *Some present trends*

With due allowance for the mitigating influence of the last mentioned remarks, the teenager has still faced a rather uninviting labor market in recent years, especially 1961-1964. However, his unemployment rate has finally begun to fall with some rapidity in recent months. Between February, 1965 and February, 1966, the over-all teenage unemployment rate declined from 14.5 per cent to 10.9 per cent. Why has the teenage labor market come alive in recent months after a very prolonged period of depression and sluggishness? Three possible explanations suggest themselves. The first and most important factor has been the rapid growth of the economy, spurred by a tax cut and increased defense spending. Overall economic growth is reflected in the decline of the national unemployment rate from 5.0 per cent in February, 1965 to 3.7 per cent in February, 1966. In the face of this boom, even the teenagers, often alleged to be the most hard-core of the so called hard-core unemployed, have begun to find jobs with increasing ease. Annual average teenage employment increased by 560,000 in 1965 over 1964. However, it should be noted that of this 560,000 total, only 41,000 were non-whites.[4] This total increase in teenage employment accounted for 30.5% of the total increase in all employment in 1965. When it is recalled that all teenagers (ages 14-19) constitute less than 10 per cent of the total civilian labor force, their 1965 employment increase is even more striking. It would appear that, as the national unemployment rate falls, employers, whether they like it or not, have been hiring teenagers, especially white teenagers, to staff their plants or places of business.

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[3] For an excellent discussion of this aspect of the teenager as worker see Lester C. Thurow, "Discussion" in R. A. Gordon and M. S. Gordon, editors, *Prosperity and Unemployment* (John Wiley and Sons, 1966), pp. 256-262.

[4] Data obtained from the *Manpower Report of the President*, March, 1966.

A second factor accounting for the improvement in the employment outlook for teenagers emanates from the military side in the form of increased drafts and enlistments. Table 2 indicates the calls for inductees issued by the National Selective Service System. From a low of 3,000 in February, 1965, the number called had risen to over 40,000 by December, 1965. The December, 1965 call was over five times larger than the December, 1964 call. In addition to the increased draft calls, there has been an increase in enlistments. The projected increase in the armed forces between mid-1965 and mid-1967 is estimated at 400,000. Although the majority of this latter group are not teenagers, the civilian jobs, which those who are working have to quit, do become available to teenagers.

TABLE 2

CALLS FOR INDUCTEES, BY MONTH
1963, 1964, and 1965

Month	*1965*	*1964*	*1963*
January	5,400	16,000	4,000
February	3,000	12,000	4,000
March	7,900	14,000	9,000
April	13,700	12,000	10,000
May	15,100	7,000	10,000
June	17,000	6,000	4,000
July	17,100	8,000	7,000
August	16,500	3,300	12,000
September	27,400	6,200	12,000
October	33,600	6,600	17,000
November	38,350	8,600	17,000
December	40,200	7,800	13,000
TOTAL	235,350	107,500	119,000

Source: "Results of the Examination of Youths for Military Service, 1964" (Supplement to the Health of the Army, May, 1965). The 1965 data were provided by Dr. Bernard Karpinos, Special Assistant to the Surgeon General, Department of the Army.

In effect, the increased manpower demands of the services have become a safety valve relieving some of the pressure which the increased numbers of teenagers have put on the civilian labor market.

A third element which can be cited to explain the decline of the teenage unemployment rate has been the introduction of new programs, under the auspices of the Office of Economic Opportunity, designed explicitly for teenagers from low-income families. The Job Corps, with approximately 20,000 enrollees as of January, 1966, and the Neighborhood Youth Corps, with 154,510 enrollees actually working as of January, 1966, have unquestionably played a role in reducing the teenage unemployment rate.[5] The Neighborhood Youth Corps on the basis of its size alone has been the more important of the two in alleviating the teenager's unemployment problem.

Now, given that the employment situation of teenagers, especially white teenagers, has improved markedly over the last year, may it not continue to improve as the economy grows and thus be of far less concern than it has in the past? This may happen but it should be carefully noted that the non-white teenage unemployment rate is still between 20 and 25 per cent. In the ghettoes such as Harlem or Watts, the unemployment rate of non-white teenagers may be much higher than the national non-white figures. Furthermore, one inescapable fact about the teenage work force dominates all others. Table 3 presents population estimates of the number of 18 year old males between 1963 and 1972. Note the enormous increase in the number of 18 year old males between 1964 and 1965. The index for all 18 year old males rises from 99 to 134. The total index falls somewhat over the next few years but rises again to 139 by 1972. The differential in the rates of increase for whites and non-whites is striking. Between 1963 and 1972, the index for whites rises from 100 to 136, whereas for non-whites it rises from 100 to 154.

Increased school enrollments have mitigated somewhat the

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[5] Data provided by the Office of Economic Opportunity.

TABLE 3

ESTIMATED NUMBER OF 18 YEAR OLD MALES
1963-1972
(In 000's)

Year (as of 1 July)	*Whites*	*Non-whites*	*Total*	*Index for Total 1963=100*
1963	1,235	175	1,410	100
1964	1,224	173	1,397	99
1965	1,679	211	1,890	134
1966	1,554	221	1,775	126
1967	1,540	232	1,772	126
1968	1,522	238	1,760	125
1969	1,562	247	1,809	128
1970	1,609	246	1,855	132
1971	1,659	261	1,920	136
1972	1,685	270	1,955	139

Derived from (A) Population Estimates Series P-25, No. 293. 21 Oct., 1964, Table 4, Bureau of the Census, U.S. Department of Commerce and (B) LIFE Tables Vol. II Section 5. Table 5-3, 1962, National Vital Statistics Division, U.S. Department of Health, Education, and Welfare, 1962.

impact of the teenage population explosion on the teenage labor market. On the other hand, if the fast-growing 1965 economy had not provided as many jobs as it actually did, 1965 likely would have seen a much higher teenage unemployment rate.[6] The gist of the message conveyed in Table 3 is that the teenage population experienced a quantum increase in recent years and although the total teenage population will level off over the next few years the economy must adjust to a much larger teenage population and labor force than was the case just a few years ago. The upshot of this is that special employment and training programs, tailored to the needs of teenagers, will probably be a necessity for some time into the future.

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[6] If teenage wage rates or more precisely the wage rates for entry level jobs were flexible downward and if there were a high degree of elasticity of substitution between experienced and inexperienced workers, increased unemployment need not materialize merely as a result of a population boom.

Teenagers and the Neighborhood Youth Corps

II. *The Teenager and the Poverty Program*

The approaches embodied in the two teenage programs established by the Economic Opportunity Act accord with two different views of the causes of the employment difficulties besetting many teenagers, especially those from low-income families. One view maintains that the employment problems of teenagers are a consequence of their "inherent unemployability." This alleged "inherent unemployability" manifests itself in a teenager's poor work habits which can take the following forms: inability to take and carry out orders from a supervisor, incompatibility with other workers, poor attendance or lack of punctuality on the job, and lack of proper motivation (e.g. apathy). The proponents of this view of the teenager's unemployment problem argue that most of these "undesirable" personal attributes stem from the youngster's lack of exposure to the world of work. Their proposed solution, a work-experience program of varying length with a minimal training component, follows logically from their argument. The Neighborhood Youth Corps is essentially just this sort of program. Those who support this view would argue that if occupational training is required, it can be acquired in the way in which most workers get their training—namely, on the job.

A second school argues that the reason a teenager faces such a difficult time in becoming gainfully employed is that he lacks a "saleable skill." Since today's teenagers, even those from low-income families, are generally better educated than their counterparts of a decade ago, those who support this view are implicitly arguing that there has been a major structural shift in our economy which has resulted in a relative decline of unskilled jobs and a concomitant increase in the level of skill and education required for most entry positions. Their solution, an occupational training program for teenagers, likewise follows logically from their argument. The Job Corps is essentially this sort of program. In their view, a work-experience program without a training component only permits teenagers to move into unskilled or at best semi-skilled jobs which are often dead end.

In this paper, our aim is to evaluate one of these programs, the out-of-school Neighborhood Youth Corps. The Neighborhood Youth Corps provides jobs in the public sector for both in-school and out-of-school teenagers, who are members of low-income families. The jobs for out-of-school youth are usually for 32 hours per week, last up to 6 months, and pay $1.25 an hour. The employer is a non-profit institution (e.g. hospital) or a public agency. Almost 50 per cent of the jobs are categorized as landscaping and park maintenance jobs or recreational and welfare aides. The average teenager in the program is eighteen years of age, lives in a household of 5 persons, has completed the 10th grade and is thus usually a high-school dropout. About 60 per cent of the enrollees are male.[7]

The aims of the Neighborhood Youth Corps, as stated in the Economic Opportunity Act, are: (1) to foster better work habits in teenagers and thereby increase their employability, (2) to provide work and income to young people who might otherwise drift, (3) to offer counseling and remedial education to teenagers, and (4) to contribute to an undertaking or service in the public interest which otherwise would not be provided.

Goals (2), (3), and (4) are to some extent fulfilled as soon as the program is established and functioning. Any teenager who rakes leaves at a public housing authority or a park and sees his counselor maybe once every two weeks embodies at least the partial fulfillment of these last three goals. [It is the first goal—the fostering of better work habits and increasing the employability of teenagers simply by providing a job—which is evaluated herein, admittedly in a very crude fashion.] Along somewhat different lines, a reading of the Economic Opportunity Act reveals that the framers of this act felt that a reduction in the juvenile delinquency rate or in the arrest rates among youth might be an important external effect of this program. Recall that the Neighborhood Youth Corps serves teenagers who often have police records or who have had minor brushes with the police. If they do not already have a police record, many may be well on their way to acquiring one. By providing jobs and some income, presumably the Neighborhood Youth Corps fills some of the material needs of the teenager and thereby reduces somewhat his penchant for illegal behavior. An examination of arrests among youth in Newark and Trenton is included in the next section for the purpose of assessing the impact of the program in this particular area.

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[7] See J. F. Tucker, "The First 50,000 Neighborhood Youth Corps Enrollees" in the *Monthly Labor Review*, December, 1965, pp. 1442-1445.

III. *A Preliminary Evaluation of the Neighborhood Youth Corps*

At the outset, it is emphasized that this evaluation is very short-run in nature. Furthermore, because of the small sample and the difficulties of isolating the influence of this program from a myriad of other factors affecting teenagers, only the most salient findings will be discussed here.

In the two cities of Newark and Trenton, New Jersey, a total of 77 Neighborhood Youth Corps enrollees or ex-enrollees were interviewed. Of the 77 interviewees,[8] 33 or 43 per cent of the total were girls. Slightly over 80 per cent of all the interviewees were Negro. The modal and average grade completed by the enrollees was the 10th. Only 13 per cent of the enrollees were married. Taking into account the size of their families, virtually all the interviewees could be classified as poor according to the income criteria currently used by the

[8] The interviews upon which I have drawn so freely were conducted by me and the following graduate students at the Woodrow Wilson School of Public and International Affairs under my supervision: Dennis Allen, Richard Applebaum, Alan Brewster, Barry Carter, Gerald Fry, David Kershaw, Paul Offner, and Joseph Robinson. All of them were students in a graduate seminar at the Woodrow Wilson School, conducted by Professor Frederick H. Harbison and myself. Like most teachers, I learned a great deal from my students. I am especially indebted to Mr. David Kershaw for several helpful comments on an earlier draft of this paper.

federal government. Twenty-five per cent of all the interviewees had been arrested and the incidence of arrests was higher among the *whites* than the *non-whites* and of course much higher among the males than the females.

In Newark, all the interviewees (36 in number) had terminated the program at the time of their interview. Some had completed six months or longer in the program while others had dropped out of the program before the 6 months had expired. The reasons for an enrollee's terminating the program ranged from acceptance of another job at higher pay to simple unwillingness to continue working at his assigned job. The Newark study contained interviewees who had left the program for these and sundry other reasons. The aim of the Newark study was to assess the impact of the Neighborhood Youth Corps by examining the post-program work experience of the enrollee. Generally, an ex-corpsman, who was presently enrolled full time in school or in an occupational training program or was presently employed full time at a job at least as good as the one he had with the Neighborhood Youth Corps, was regarded as a short-run success, partly attributable to his experience in the Neighborhood Youth Corps.

In Trenton, all the interviewees (41 in number) were still enrolled in the Neighborhood Youth Corps at the time they were questioned. All the Trenton interviewees had been in the program at least four months. The primary aim of the Trenton study was to assess the impact of the program on the work habits of the enrollees. The work supervisors, those in direct charge of the enrollees, were asked to evaluate the enrollees according to an ordinal scale (0 to 10) at the time they entered the program and again after they had been in the program four months. The evaluation criteria according to which the enrollees were graded were: (1) attendance, (2) punctuality, (3) appearance, (4) initiative (the degree to which the enrollee did/does perform tasks without prodding), (5) dependability (the degree to which the enrollee was/is generally a person you can rely on), and (6) peer relationships (the degree to which the enrollee got along/gets along with others).

In reporting the findings below, no distinction will be drawn between the enrollees in the two cities. Because the samples were small and because a number of sample biases are present in the studies, not all of which are off-setting, no systematic statistical tests are used in the following analysis. Furthermore, lacking time and money, we were unable to design our experiments or draw our samples in a "scientifically" satisfying fashion. The reader should keep these considerations and caveats in mind when interpretating what follows. A purist might call the following remarks merely impressions (and they are), but they are impressions based on a fair amount of spade work. To save time and space, the results are discussed in relation to four factors which were deemed to be the most significant in terms of influencing the enrollee's performance—(1) sex of the enrollee, (2) the job itself, (3) the work supervisor, and (4) pay.

(1) *Sex of the enrollee*

In Table 1, it can be seen that the unemployment rate of teenage girls, especially non-white females, had worsened markedly over the last few years relative to both the national unemployment rate and the male teenage unemployment rate. Prior to the Neighborhood Youth Corps, a non-white teenage girl (16-18 years of age) who was a high school dropout could probably "look forward" to a job as a counter-girl in a restaurant or a dishwasher in a cafeteria or hospital as her best employment possibility. Quite frequently, there was no job at all for her. Now along comes the Neighborhood Youth Corps offering secretarial and nurse's aide jobs to these same young girls. The chance to do such work might be expected to have a pronounced favorable effect on the female teenager. On the basis of the findings gathered in these two studies, it had just such an effect.

Girls appeared to adapt to the program much better than boys. Far more frequently than boys, they indicated that they liked their jobs and that the Neighborhood Youth Corps had been able to improve their chance of getting a good job. Furthermore, they stated they did not expect more from the program than it turned out to offer and thus were not unduly frustrated or disillusioned. This was in contrast to the experience of many of the boys. An examination of the enrollee files in Newark revealed that relatively fewer girls than boys were terminated for excessive absences or for "conduct unbecoming an enrollee." Whenever a supervisor would rave about the performance of an enrollee on the job, the enrollee involved would usually turn out to be a girl. One of the reasons for the girls' superior performances in the program was the alternative often open to them, a poor job or no job at all. Another reason, however, was the nature of the jobs which the Neighborhood Youth Corps itself provided for the girls.

(2) *The jobs*

The Neighborhood Youth Corps is not explicitly designed to provide occupational training. Although it does have support programs consisting of counseling and some remedial education programs, its primary function is to provide jobs to teenagers from low-income families. However, certain jobs by their very nature have a larger training component or "learning by doing" component than other jobs. Consequently, we decided to group the jobs according to the amount of informal training (or learning by doing) involved in a particular job. Such jobs as laboratory assistant, auto mechanics' helper, clerk-typist, and nurse's aide were regarded as jobs with a training component of some kind. On the other hand, such jobs as maintenance worker in parks or swimming pools or grounds-keeping in public housing developments were considered to be without a training component. Obviously, there is a degree of arbitrariness in this classification scheme but it does accord not only with the views of the administrators of these programs but also with the views of the enrollees themselves.

The hypothesis was that those enrollees who had a job with a training component would do better in the program as measured by such factors as level of attendance, length of time in the program, and attitudes towards the program and his job. On the basis of attendance records and the answers to certain questions, holding a job without a training component was associated with low levels of attendance, worsening of attendance, a short stay in the program, and the greatest amount of dissatisfaction on the part of the enrollee with the program and his particular job. One other finding should be noted. There was some evidence that the assignment of jobs was not completely random. The enrollees who were assigned to the jobs with little or no training component were on the average less educated and had a higher incidence of arrests than the enrollees assigned to jobs with some training component. By placing those youngsters who most need the assistance offered by the Neighborhood Youth Corps into the most undesirable jobs, the Neighborhood Youth Corps may not only fail to foster better work habits and attitudes among these enrollees but may further alienate them. We could not prove this latter contention on the basis of our studies but it is a factor which should be borne in mind by program administrators.

(3) *The work supervisor*

Ideally, the work supervisor plays a crucial role in a program such as the Neighborhood Youth Corps. The work supervisor is the enrollee's immediate boss. He is an employee of a non-profit organization hiring Neighborhood Youth Corps enrollees and receives no special pay for the time he devotes to his Neighborhood Youth Corps supervisory work. Since the work supervisor spends so much time in close contact with the enrollee, he can play a pivotal role in terms of inculcating good work habits. If the supervisor so chooses, he can instruct in job tasks, demonstrate skills, and hold do-it-yourself practice sessions.

For purposes of these two evaluation studies, a "good" supervisor was one who gave adequate instructions to his subordinates, but also allowed the enrollees some freedom in making decisions about their work. He was punctual and praised his employees when they did good work. He would, on occasion, try to teach the enrollee. He did not act superior toward them. He set a good example by taking orders well from his boss and he liked his own work and was good at it. The enrollees answered a number of questions which were designed to give a measure of their boss's quality according to the above criteria. It should be noted that the majority of the interviewees liked their bosses.

The hypothesis tested here was that a bad rating of the supervisor would be associated with lack of in-program success. To be sure, those enrollees who rated their boss as bad tended to terminate for negative reasons, didn't go to night school, were in the program a shorter time, had high levels of absenteeism, had worsening attendance records, and didn't like the over-all program. These results should surprise no one. One complicating factor, however, was the fact that most of the enrollees who had an unsatisfactory relationship with their work supervisors also had the poorer jobs—those without a training component. Thus it is not possible to say in any definitive sense which factor (the job or the work supervisor) accounted for the enrollee's lack of success in the program.

(4) *Pay*

The jobs, which the Neighborhood Youth Corps provides, pay $1.25 an hour for 32 hours a week. Although $35 a week take-home pay is not exactly a king's ransom, when asked why they joined the Neighborhood Youth Corps, 80% of the interviewees indicated that money was a very important factor in their decision. On the other hand, when asked why they think people terminate the Neighborhood Youth Corps, 73% of the enrollees indicated that lack of sufficient pay was one important reason. Given their poverty backgrounds, the enrollees are initially attracted by the prospect of earning money, but once in the program their pay is often not high enough to retain them. The result is termination either to take another job at a slightly higher wage or to return to the streets unemployed. It was clear from their answers that some of these teenagers, especially the males, value their leisure rather highly relative to the alternatives open to them. Some would simply prefer to hang around the corner rather than take a make-work job which paid $1.25 an hour.

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Up to this point, we have only considered the employment related aspects of the Neighborhood Youth Corps. It was hoped, however, that the program would have a major impact in another area—juvenile crime. By providing jobs and some income to needy, idle teenagers who might otherwise drift and possibly get into trouble with the law, the Neighborhood Youth Corps has a built-in potential for reducing the taste for crime and the need to commit a crime. An examination of arrest rates among youth and adults in the city of Newark sheds some light on this issue.[9]

Table 4 depicts the total number of arrests of youth (ages 16-18) and the number of arrests of youth for selected offenses over the years 1961-1965. The selected offenses are all crimes against property. These are the types of offenses which on an *a priori* basis could be expected to decline as the result of a program such as the Neighborhood Youth Corps. The first row of Table 4 indicates that after a rapid increase in the number of arrests of youth from 1961 to 1964, the total declined sharply in 1965. The absolute decline of 295 represents a decrease of 11% from 1964 to 1965. The decline in the number of arrests of youth during 1965 also occurred while the total population of youth 16-18 was increasing over 1964. The number of arrests of youth for selected offenses also shows a sharp decline from 1964 to 1965. The number of arrests for

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[9] The number of arrests of youth in Trenton for all offenses were only available for all youth under 18. A breakdown by type of offense, comparable to the Newark figures, was not available. The arrests of youth for all offenses rose from 1,401 in 1961 to 2,368 in 1964 and then declined to 2,183 in 1965. These findings buttress the Newark results. The data were provided by the Juvenile Aid Bureau of the Trenton Police Department.

TABLE 4

NUMBER OF ARRESTS OF YOUTH BETWEEN THE AGES OF 16-18 in NEWARK FOR THE YEARS 1961-1965; TOTAL AND FOR SELECTED OFFENSES[1]

	1961	*1962*	*1963*	*1964*	*1965*
I) TOTAL NUMBER OF ARRESTS FOR ALL OFFENSES	1571	1537	1913	2330	2035
II) ARRESTS FOR SELECTED OFFENSES					
1) ROBBERY	54	52	77	96	89
2) BURGLARY: BREAKING OR ENTERING	167	137	183	166	173
3) LARCENY—THEFT (EXCEPT AUTO THEFT)	229	231	306	498	442
4) AUTO THEFT	216	237	250	230	182
5) STOLEN PROPERTY; BUYING, RECEIVING, POSSESSING.	64	86	85	176	122
TOTAL	730	743	901	1166	1008

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[1] Data provided by the Newark Police Department.

auto thefts alone shows a decline of over 20%. Finally, it should be emphasized that this decline in the number of arrests of youth in Newark was occurring while the total number of arrests of young adults (ages 23-29) for all offenses was increasing from 3,092 in 1964 to 3,121 in 1965.

Clearly, there was a significant absolute and relative decline in the incidence of arrests among Newark youth from 1964 to 1965. The Newark Neighborhood Youth Corps out-of-school program was able to absorb slightly over 800 youths in their programs during 1965. Just over half of this group remained in the program for the full six months. It would be incorrect to attribute the decline in youth arrests, juvenile delinquency if you will, solely to the poverty program. During 1965, the unemployment rate in Newark was dropping steadily although part of the decline in the unemployment rate was attributable to the jobs offered by the Neighborhood Youth Corps. At any rate, the general availability of more jobs in the Newark area probably reduced somewhat the juvenile delinquency rate. In addition, civil rights groups have often diverted the energies of many young non-whites from destructive ends in the past to very constructive purposes at present. Nevertheless, the fact that the NYC focuses on teenagers from slum areas who are usually high school dropouts and juvenile delinquency prone undoubtedly made a contribution towards the reduction of arrests among Newark's youth.

The benefits of this external effect of the Neighborhood Youth Corps are substantial. To the savings in terms of reductions in police costs and property losses should be added the benefits to the youth themselves who are now able to enter young adulthood without a police record and whose chances for acquiring a good job are thereby immeasurably increased. Indeed, on the basis of the fragmentary evidence now available this reduction in the incidence of crime among youth may be the single most important effect to date of the Neighborhood Youth Corps.

IV. *Recommendations*

In this section, I shall first make specific comments about the operations of the program itself and then make more general remarks concerning the over-all rationale of this program. As far as the present Neighborhood Youth Corps program is concerned, my remarks will deal with the jobs themselves, the work supervisors, and the problem of incentives as they affect the enrollees.

(A) *Specific program recommendations*

It is platitudinous to say that the more interesting and challenging the job the greater the chances of successfully reaching the enrollee. As the program is presently operating, the money alone is, in many cases, not enough to keep the enrollee interested so that a real change in his attitude begins to take shape. To compensate for the low wage offered to the enrollees, a genuine effort must be made to provide jobs which are meaningful to the not-so-bright teenager, and challenging to the brighter youngster. The difference between a leaf-raking job and a lab assistant's job can be an enormous one in the eyes of many male enrollees. One is rightly conceived as a make-work or hand-out job with no potential for advancement, whereas the other is regarded in exactly the opposite fashion. The preliminary results presented above imply that an undesirable job with no training component may have an unfavorable effect on the teenager. One of the reasons that the girls fared so much better in the program is the fact that their jobs (secretarial, nurse's aide, etc.) often had a learning or training component which was absent in many of the jobs open to the males.

Since the work supervisors play such a crucial role in a program of this nature, a great deal more research is needed in order to determine what types of individuals make the best supervisors. How the supervisor views the program can be very important. His view of the program may range from one of skills training to one of merely providing financial assistance to the teenagers. Whatever his view, it will influence his mode of behavior and that of the enrollees. The administrators of the Neighborhood Youth Corps might experiment with paying the work supervisors some small bonus. This would put many of them under some sort of moral obligation to devote a reasonable amount of time to the enrollees under their supervision. Presently they receive no extra compensation for the time they spend instructing or supervising their enrollees.

It can be fairly stated that the Neighborhood Youth Corps, as it presently operates in most communities, is merely a holding operation. Although the program is probably making a contribution towards a reduction of juvenile crime, it often provides only meaningless jobs, make-work jobs if you will, within a sheltered environment. Often, the enrollees are subject to lower work standards than the regular employee. In many cases, the jobs simulate rather badly the work-place in private industry. The enrollees themselves are often quick to perceive these particular aspects of their jobs and their motivation and performance suffer accordingly.

To counteract the last mentioned effect, serious thought should be given to the issue of building into the program some incentives for the enrollees. Presently, there is no incentive designed for the purpose of encouraging the enrollee to improve his performance on the job. Of course, if the enrollee performs poorly on the job, he may lose it, but since the jobs mean so little to many of them this is hardly a meaningful threat. What the program needs to do is to devise incentives which serve to keep the enrollee in the program and which work to improve his performance while in the program.

One device might be to raise the enrollee's wage rate for his last two months in the program if his performance is judged to be satisfactory and/or improving. A more meaningful incentive would be a guarantee of a job for the enrollee in private industry or a permanent job in a public agency if the enrollee completes the program in a satisfactory manner. Along the same lines, the administrators of NYC could guarantee to each enrollee who completes the program satisfactorily an opportunity to take on-the-job training subsidized by the Manpower Development and Training Act if the enrollee should desire it. All of the above mentioned devices or some combination of them would ideally serve to keep the enrollee in the program. More importantly, the enrollee would have some stake in seeing that his own performance improved.

(B) *General recommendations*

When the national unemployment rate is 5% or higher and the teenage unemployment rate hovers around 15%, the rationale for a Neighborhood Youth Corps type program is very straightforward. Since the private market is unable to provide jobs for teenagers in sufficient numbers, the government, after the necessary policy decisions have been made, simply fills the job gap, or some part of it. In other words, when unemployment is high the provision of a large number of make-work jobs sponsored by the government is a perfectly valid anti-poverty and anti-recession measure. However, in a tight labor market with the national unemployment rate approaching 3% and the teenage unemployment rate also falling, it is difficult to justify a public employment program which is competing directly with the private labor market for available manpower. An immediate objection could be raised that such a remark is not applicable in many of the worst ghettos. This is true to some extent, but even now one hears radio advertisements which state that the Neighborhood Youth Corps in Central Harlem has unfilled openings. The upshot of these comments is that the Neighborhood Youth Corps is going to face increasing difficulties filling its allotted slots as the unemployment rate falls. This will be particularly true with respect to the male teenagers.

My recommendation is that the content of the NYC be made a function of the over-all unemployment rate in the local area. —As the unemployment rate falls in an area, the local Neighborhood Youth Corps should contract the size of its over-all enrollment and use the funds left-over to finance a bona fide remedial education and training program. One version might be four hours of work in the morning coupled with four hours (with pay) in the afternoon for occupational training or remedial education, whichever is deemed most necessary. Since the program would presumably be still six months to, at most, a year in length, the training would be of a less intensive nature than that provided by MDTA. Furthermore, work experience would still be an integral part of the program. If the unemployment rate should rise, the Neighborhood Youth Corps could expand its enrollment capacity and cut back on the training portion. Local administrators might object that such flexibility is not possible in a local manpower program but until it is tried one never knows.

Initially, a change in the program of the sort just described could be limited just to males. The females seem to be benefiting adequately from the present program. Furthermore, the combination of high draft calls and increased hiring of the best teenagers by private industry means that the Neighborhood Youth Corps will be left with the most deficient teenagers in terms of their present skills. Many of these need more than a make-work job in a sheltered environment. More so than their better equipped counterparts, they need vocational training and remedial education. In other words, they need a "head-start" if they are to compete effectively for the available semi-skilled or skilled jobs.

Finally, I would like to close on an international note. To my knowledge, none of the industrialized Western European countries has experienced as severe a teenage unemployment problem as the United States. Why? Well, a consistently lower overall unemployment rate in most of the Western European countries has to be one reason. Another possible explanation is the fact that they generally have a much more coherent system of programs for cushioning and facilitating the teenager's transition from student to worker. Apprenticeship programs, training institutes for youth, and relocation programs abound. Of course, these countries do not have the racial discrimination patterns and residential ghettoes which seriously obstruct the successful implementation of many of our manpower programs. Nevertheless there is much we can learn from our European friends.

In working towards the establishment of a coherent system of programs for young workers, the Neighborhood Youth Corps can be an ideal starting point. The Neighborhood Youth Corps can be regarded as the initial intake program, at least as far as youngsters from disadvantaged backgrounds are concerned. Based on evaluations of the attitudes and skills of the youngsters, it can channel them directly to jobs in the private labor market, to on-the-job training programs, to remedial education programs, to regular NYC jobs, etc. In some areas, the NYC is beginning to operate along these lines. Such a movement should be strongly encouraged and supported.

SPECIAL PROBLEMS OF THE DISADVANTAGED WORKER

Discussion

The main discussants of the papers by Frank Cassell and Joseph D. Mooney were Edward Robie, Vice President and Personnel Director of the Equitable Life Assurance Society of the United States, John Coleman of the Ford Foundation, and Fred Fischer, Vice President of Macy's. What follows is a summary of their remarks.

EDWARD ROBIE: Mr. Cassell's excellent paper ought to have given more attention to the following issues: (1) The impact of minimum wages on the employment opportunities of teenagers should have been discussed. (2) Some attention should have been paid to the question of supplying better information on job vacancies and its effect on reducing unemployment. (3) Some ways must be found to make service work more attractive to youngsters, especially those at the back of the job line.

Along the lines of the subject matter of Professor Mooney's paper, the experience of Equitable Life in hiring drop-outs can be summarized as follows: (1) There is a turnover problem because many of these youngsters do not like work. They do not come to work on time and the incidence of absenteeism is high. (2) The expectations of the drop-outs are higher than those of the high school graduates. The drop-outs will not remain on a menial job for any length of time. (3) Both the youngsters and their supervisors need special counseling. (4) The problem is largely a boy problem. No special treatment of the girls was found to be necessary in the majority of cases.

JOHN COLEMAN: In the context of full employment, the role of the Bureau of Employment Security must be reevaluated. A revolution is necessary. The emphasis must shift from compensation to information and service to the worker and employer. But the real challenge faces private industry. Personnel managers must work out new selection devices more appropriate to the tight labor market. They must get away from the lazy man's selection device of the degree or diploma if they are to get the requisite amount of labor and if the "Watts Problem" is to be solved. Industry must be willing to give literacy training. Other means of improving the skills and potentials of the poorly educated must also be tried. Reorientation of foremen is necessary, yes, but top office rethinking of the problem is even more crucial today. A readjustment of thinking of the front office personnel directors is a key factor in the solution of these problems. The unions also are not pulling their load in the working out of new programs to train and aid the underskilled.

In the future, the middle classes must learn to deal with a new type of pressure from below. Tomorrow's employees will not have the same ethics, ideas, or aspirations as those of today. Their values will differ. We must be prepared for this change.

Fred Fischer: Mr. Cassell made the point that the job developer has a key role to play. But the great multiplicity of these job developing agencies and the competition between them are not really necessary. There is much overlap among the tasks carried out by the various agencies causing a large waste of money and time. If the job developing agencies could be coordinated by one central agency so that each one concentrates on the development of a special type of worker, then the effectiveness of the job developers would be markedly improved.

Motivation, however, is still the key to the whole problem, and very few fresh looks have been taken at this problem. A new approach is needed for the male teenagers. Why not try to train boys for jobs which may have traditionally been held by girls? The office has as much prestige for the boys as it has for the girls. A new program to train male nurses has just

begun in New York and offers every hope of success. New programs of this type should be encouraged and supported.

Finally, it seems to me that the war on poverty is being fought by self-contained units duplicating each other's work. More coordination would save money and improve the efficiency of the program.

PART IV

THE COORDINATION OF MANPOWER POLICY

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COORDINATION AMONG FEDERAL MANPOWER PROGRAMS

R. Thayne Robson and Garth L. Mangum*

The years 1961-65 were remarkable for the number of Federal programs inaugurated which were designed to develop human labor as an economic resource and to assist the disadvantaged to compete for a share of the increasing wealth of the American society: the Area Redevelopment Administration, the Manpower Development and Training Act, the Economic Opportunity Act with its Neighborhood Youth Corps, Job Corps, Work-Experience Program and Community Action Programs, the Economic Development Act and the Appalachian Commission, the spate of education legislation and the Civil Rights Act. But to legislate is one thing; to change the world is another. It is a long way from the halls of Congress through the office of the Federal Administrator to the local labor market and to the homes of those who are disadvantaged in the competition for jobs. An issue of great concern at present to those assigned to administer the various manpower programs is inherent in the multiplicity of Acts. It is typical of the ad hoc and pragmatic nature of the American political system that each piece of legislation was put together discretely with little attention to interrelationships with other manpower legislation. Any relationship to a "manpower system" is largely coincidental. Congress has demonstrated its willingness to amend manpower legislation relatively flexibly

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* R. Thayne Robson is Executive Director of the President's Committee on Manpower. Garth L. Mangum is Director of the Ford Foundation financed Manpower Policy Evaluation Project at the W. E. Upjohn Institute for Employment Research. The views expressed are those of the authors and do not represent the positions of the President's Committee on Manpower, the Ford Foundation, or the W. E. Upjohn Institute for Employment Research.

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in light of experience. Congress has not yet seen fit, perhaps because experience is inadequate to attempt an integrated examination of the entire manpower policy fabric. It is also typical of the pluralistic nature of American government and society that pieces of the same programs, as well as competing and cooperating programs, are scattered throughout the departments and bureaus of the Federal landscape. Inherent in federalism also is the problem of Federal-state relationships. However, pluralism does not end there and numerous local governments and private institutions both for profit and nonprofit are involved as well. The combined diversity multiplies the difficulties of administration and communication.

Typical of students of any problem area is a desire for neat packaging, clear definitions and carefully drawn organizational charts. We share these biases but hope to restrain ourselves in order to focus on the only important question: How does the current state of coordination among manpower programs influence their effectiveness and cost? We examine the problems of coordination at three levels: (1) Coordination in program content—in the design of programs and in the clientele to be served; (2) Coordination among Federal agencies engaged in the administration of related programs; and (3) Coordination at the local level, among Federal, state, local and private agencies, program content and the customers of the programs. We review the problems, describe efforts at coordination now underway and offer some modest suggestions for improvement. To keep the subject matter in bounds, we have chosen to ignore general education legislation and programs aimed at the development of higher-level manpower such as scientists and engineers and limit ourselves to programs designed to assist those disadvantaged either in society or in labor market competition. We also limit ourselves to programs in which the Federal government provides either the initiative or major portions of the funding, recognizing the partially painted picture which results.

Coordination of Manpower Programs

I. *Coordination in Program Content*

In order to assess the degree of coordination which exists among Federal manpower programs, it is necessary to think through the functions of an effective system. We have found it instructive to think of the entire labor force as a gigantic "shapeup," queued up in order of their attractiveness to a conceptual aggregate employer. The ordering will combine the abilities, experience and location of workers with job requirements and prejudices of employers. Whatever jobs exist, first choice will go to those at the front of the line. The depth to which the hiring process will reach down the line, and, therefore, the number left unemployed will be determined by the state of aggregate economic activity, though that activity in turn will be influenced by employer estimates of the availability of productive labor. It is always possible through fiscal and monetary policies to induce the employer to reach more deeply down the line but at some point the inflationary implications will forbid doing so. It is also possible to help every member of the queue to improve his relative standing or improve his ability to compete with those in front of him. It is likely that greater manpower development efforts would pay dividends all up and down the queue but we concern ourselves in this paper only with the welfare of those left over at the back of the line or at the margin of sporadic employment or low wages.

A. *The "Ideal" Manpower Program*

A system to aid this group would first assure a favorable economic environment with all of the aggregate pressure on the labor market public inflation tolerance would stand. A little bit of labor shortage would be welcomed as a permanent condition to be constantly struggled against by public and private efforts but never overcome. Within that environment, those toward the front of the line could work out for themselves satisfactory working careers, though they could be aided by the availability of job information and education and training opportunities. That those toward the rear have proven unable to compete is evidence of their need for special assistance.

To be truly effective, the system—call it a labor market system, a manpower system, a human development program, a social welfare program or whatever you will—would zero in on the needs and competitive handicaps of the individual. Available, ideally, would be clearly identifiable focal points within the local community to which the individual could turn for assistance, or which would seek him out if he failed to seek the available assistance. There he would be assisted to analyze his handicaps and his strengths, explore the available alternatives and design a program to fit his individual needs. The local agency providing the assistance would have at hand a complete set of tools, capable of tackling any conceivable problem—basic education and training programs, financial assistance, physical and mental health services, the capability to develop jobs to fit the individual's needs through contacts with private and public employers, relocation assistance to overcome geographical disadvantages, the authority to create jobs tailored to individual need if none exist, and the time and patience to stick with an individual until the solution of his problem.

B. *Vocational Rehabilitation: A Conceptual Example*

Only one Federal program approaches in concept the ideal of an integrated manpower program: The Vocational Rehabilitation Program. Like anything else in the real world, it falls far short in practice of what it is designed to accomplish in concept. Nevertheless, it is worth examining as a model of a single program designed to provide the full range of services required by those facing handicaps in labor market competition. The clientele are all of those with a physical or mental disability which interferes with their getting or keeping employment. The definition of physical and mental disability is a permissive one. Once ultimate employability is assumed, there are few limits, within the constraints of the program's total budget, to the services which can be provided—medical, psychiatric and hospital care, artificial limbs or other devices to increase work ability, vocational counseling and guidance, education and training including college, sheltered workshops and adjustment centers, living costs and transportation, placement, tools and equipment, and aid in starting a small business—through contact with existing facilities or through creation of new facilities.

There are no boundaries by age, sex, race or geography. Approximately 5000 rehabilitation counselors have a full-time assignment to search out the handicapped wherever they are and spend whatever time is necessary to analyze their needs, work out a program tailored to those needs, offer motivation and encouragement, marshal all of the relevant resources in the community, pay for any form of assistance program, work with potential employers in the development of an appropriate job, create employment where none exists and follow through with continued counseling and assistance as long as needed. It is an expensive program—$1,025 per placement in 1965—but its administrators claim to be able to demonstrate a high payoff in terms of reduced public assistance costs and increased tax revenues. It is also a larger program than usually realized —43,000 in training and 135,000 placed in jobs during 1965. However, under present definitions, the potential clientele is estimated at 3.7 million, with 500,000 coming into that pool each year. The program is jointly financed by the states and the Federal Government but state administered. The quality of administration and the enthusiasm with which rehabilitation is pursued vary widely. However, it provides a useful conceptual contrast to the task of extracting comprehensive assistance from the panoply of manpower programs. Adding competitive economic handicaps to the physical and mental ones which qualify for vocational rehabilitation would be an attractive approach to the ideal system.

C. *Comprehensive Services From Multiple Programs*

The Vocational Rehabilitation Program places responsibility for aiding a particular individual in the hands of a single state agency and a particular counselor within that agency. The vocational rehabilitation counselor is not limited to the resources of his own agency but has the responsibility to select from among, and focus upon his client all the help available from all sources. In contrast, numerous agencies and programs have parallel and overlapping jurisdiction over the content and administration of services available to the competitively, but not physically and mentally, handicapped.

Remedial basic education is provided to a limited extent through the adult education programs of the public schools. The Economic Opportunity Act includes a program of adult basic education for the poor administered by the Office of Education. Title II of the Manpower Development and Training Act allows basic education as an adjunct to skill training when necessary to bring about a "reasonable prospect of employment." Basic education can also be supplied as part of the experimental and demonstration programs of Title I of MDTA. Title II requires joint Labor Department and Office of Education action. Title I is in Labor Department hands alone. Job Corps camps, some operated by private businesses and non-profit institutions, others by the Department of Interior, but all under contract to the Office of Economic Opportunity, provide remedial basic education for 16 to 21 year olds as a supplement to their training and employment activities. The Labor Department operated Neighborhood Youth Corps could do so as well, but only at the cost of reducing the total amount of employment offered its 16 to 21 year old clientele. The welfare-operated Work Experience Program could provide remedial basic education to parents of dependent children and the Office of Economic Opportunity directed Community Action Program could do so for any of the poor.

Skill training is available for unemployed and underemployed persons under MDTA, Title II, requiring the joint action of the Bureau of Employment Security, the Office of Education, the State Employment Service and local vocational educators. In case of on-the-job training, the Bureau of Apprenticeship and Training and an employer and, perhaps, a trade association are added. MDTA, Title I, experimental and demonstration projects usually include skill training, as do the urban job corps centers. The Vocational Education Act of 1963 is expanding vocational facilities but most of the planned area vocational schools are still on the drawing boards. As presently operated by a separate division of the Office of Education and by state and local vocational educators the Vocational Education Program is almost totally isolated from other federally-supported manpower programs.

The reduction in unemployment in recent months has been almost totally the result of the tax cuts and increasing military expenditures. However, aggregate means create employment opportunities primarily for those toward the front of the queue. The demand necessary to reach the back of the queue by aggregative measures would cause excessive price pressures. Three modest programs have been created, creating jobs specifically for the competitively disadvantaged near the back of the line: The Neighborhood Youth Corps and Job Corps Conservation Camps for youth and the Work Experience Program for parents of dependent children, operated respectively by the Department of Labor, Department of Interior and Health, Education and Welfare.

Counseling, testing and placement services are being made available, in addition to the usual employment service programs, in Youth Opportunity Centers run by the state employment services. These are located in areas where the disadvantaged are concentrated but the initiative is left to the client. Adult Opportunity Centers are being developed in similar areas and with similar operating procedures. The Neighborhood Centers of the Community Action Program often include their own placement efforts in competition with, or in supplementation of, the employment service efforts. Attempts to reach out to the competitively disadvantaged in their more natural habitats are just beginning. The Labor Department, with the cooperation of the Community Action Program and the local Board of Public Welfare, is presently experimenting with a door-to-door approach in a Chicago slum to seek out those with labor market handicaps and urge them to seek assistance in neighborhood centers.

The complexities involved are not only in the multiplicity of programs and the fragmented nature of their administration, but the amounts and methods of financing, the eligibility requirements, the application procedures and the methods of contracting and granting are equally diverse. The contrast with the simplicity of the comprehensive single agency services of vocational rehabilitation is distinct.

This recital of the multiplicity and complexity of existing programs raises at least two questions: (1) Why the diverse specialized programs rather than a single general manpower program of a comprehensiveness similar to Vocational Rehabilitation? (2) Does the diversity aid or impede the development of a comprehensive package to meet the needs of a particular individual or client group?

The diversity is typical of a pragmatic political system. Its origins are a combination of uncertainty and practical political expediency. Unemployment had been gradually accumulating since 1953 but its existence was still being debated in 1961. Opinion was divided between those who thought the causes and cures were structural or aggregative. Since the advocates of more aggressive fiscal and monetary policies were generally also advocates of manpower programs, while some advocates of structural programs were primarily devoted to sidetracking fiscal efforts, the structural attack was mounted first. Many of the programs were new departures in public policy, or at least, departures that had not been endorsed for 30 years, so Congress felt its way experimentally. The continuing addition of new elements to MDTA is an example. But the willingness to experiment seems to depend upon a bargain basement price tag. The total appropriation for fiscal 1966 for the programs mentioned in this paper is between $1.25 billion and $1.5 billion. What would have been the political probabilities of a single comprehensive manpower program offering the same aggregate services but requiring a single appropriation? The alternative was probably not politically realistic.

But if all the bits and pieces of a comprehensive manpower policy are supplied, what difference does it make if they are wrapped in separate packages? First we must know whether the bits and pieces added together provide the elements of a total program. Then one must ask whether all of the programs are available in every community and whether those in need of assistance have access to all the bits and pieces. With separate agencies administering each manpower program, there is a natural tendency for them to act as mechanics with one tool each and each in competition to apply his particular tool to the problems of the client regardless of their relative appropriateness. The Community Action Agencies, Youth Opportunity Centers and the public employment services are supposed to provide comprehensive services to the poor, the young and the general public respectively, selecting needed services from among the available programs. In addition, many of the programs require local initiative and the amount of assistance available in a community depends to some degree on its own aggressiveness. With leadership and sophistication always in short supply, the multiplicity of Federal agencies and the complexity of their rules is a discouraging factor. There is no comprehensive service agency equipped with its own full kit of tools.

Does the aggregation of present programs present the substance of a comprehensive manpower program? There are programs for job creation and development, for skill development and for matching men and jobs, though the resources of none are adequate to their tasks. It may be instructive to approach the possibility of coordination among the contents of various programs from the viewpoint of hypothetical clients.

An inexperienced and unemployed out-of-school youth, if he is poor, and if he is selected, has four possibilities available to him among Federal manpower programs: (1) If he is one of a little over 100,000, he can return to school and work part-time on an NYC project. (2) If he is one of another 40,000, he can obtain up to 52 weeks of full time NYC employment. (3) If he is one of 20,000, he can enlist in the Job Corps. (4) he can be one of 40,000 youth undertaking MDTA training. As a fifth, and the only unlimited possibility, he can join the Armed Forces. The first three are open to the youth only if he has been sanctioned by poverty. Maintaining the alternatives is justified if (1) the various programs fit the needs of various individuals, or (2) if there is a "ladder" relationship among the alternatives, leading the youth upward through the various steps to a successful working career, or (3) if the multiplicity of programs results in more total resources addressed to the problems of youth than would have been possible under a simple program, or (4) if a multiplicity of programs offers the individual a meaningful opportunity to exercise choice.

The first two appear to be true in concept but impractical in application. The choice is stymied by lack of any criteria for assignment of particular youth to particular programs. Conceptually, the most disadvantaged can be liberated from their deficient environments by the Job Corps and receive basic education, training and work experience. Those a step further up the ladder of attractiveness to employers can remain in their home environment and gain income and work experience but without basic education and training. Both groups can then be funneled into MDTA skill training and on into regular employment. In reality, youth appear to be fed into the programs based on the availability of openings. The ladder also has a broken step at the point where youth are to leave a $30 to $40 a week NYC job for a $20 a week MDTA training allowance. The validity of the consumer choice philosophy depends upon the adequacy of information and the techniques of counselors. But economics cannot be neglected. For instance, it is not enough to ask, "are some youth served better by the Job Corps than the Neighborhood Youth Corps?" Given relative costs the question is, "are they served five times as well?"

The unemployed adult, if he is poor, has the choices of the work experience program, as one of 60,000, where he will receive, along with experience, the income he would otherwise receive as a public assistance recipient or as one of another 60,000 in 1965 in an MDTA course. The non-poor unemployed has only the latter. Within MDTA, choice is again limited. The predominate procedure of identifying occupations with reasonable employment prospects and creating special courses to prepare the unemployed for them leaves the potential enrollee free to choose whether or not to train but gives him no choice of occupation for which to train. The latter could be provided only by coordinating on-going post-secondary vocation and technical education courses with MDTA training allowances.

However, this assumes all of the programs are available in the community. The existence of MDTA institutional courses depends upon the aggressiveness of the state employment service, the cooperation of the state and local vocational educators (the employment service can contract with private schools but it is rarely done), and the concurrence of both the Federal Bureau of Employment Security and the Office of Education. The initiative in MDTA on-the-job training rests with the local office of the Bureau of Apprenticeship and Training, with the cooperation of employers and the approval of higher levels in the Bureau. Each course is approved at the regional or Washington level. MDTA experimental and demonstration projects are conceived by a local agency, a university or another private organization and negotiated with Washington. NYC projects require local initiative and national approval. Job Corps Camps may come about on the initiative of a local government, a local Federal office, or a business firm or university seeking to act as contractor and are negotiated nationally. Work experience projects are at the initiative of local public welfare agencies. This is not to mention the routes by which local school districts tap the various Federal aids to education. Each program requires a different path, different eligibility rules, different application and contracting procedures. Each step requires paper work and negotiation which the Federal agencies have shown more inclination to streamline than local and state agencies have. Time and expense is involved, but more importantly, the communities with the greatest need and the poorest leadership may find access beyond their reach. It was recently reported, for instance, that 181 of the poorest counties in the nation have yet to take advantage of the Primary and Secondary Education Act.

The multiplicity of manpower programs is a measure of legislative accomplishment. It provides a series of simultaneous experiments and demonstrations. It is possible that more total resources may be available to the many separate programs than could have been provided for a single comprehensive one. What remains to be explored is whether administrative coordination can satisfactorily focus the resources of a diversity of programs and the efforts of a variety of agencies upon the needs of particular individuals in particular communities.

II. *Coordinating Manpower Programs at the Federal Level*

Concern with coordination among Federal Manpower Programs can be said to have preceded even the programs themselves. For instance, Senator Joseph S. Clark as chairman of the Senate Subcommittee on Employment and Manpower held hearings even before passage of the Manpower Development and Training Act, searching for some central coordinating mechanism in the manpower field. The concern at that time was the relative attention being given to manpower policy in comparison with general economic policy. Among the alternatives under consideration were a Council of Manpower Advisers, a requirement that one of the members of the Council of Economic Advisers be a manpower expert, a special assistant to the President for manpower, a council similar to the National Security Council or coordination by the Budget Bureau. As Senator Clark recounts the story, the CEA chairman did not want special manpower responsibilities but the Secretary of Labor did. The result was Title 1 of MDTA which Senator Clark views as giving the Secretary of Labor a special position as manpower adviser to the President, separate from his Departmental position.

The Employment and Manpower Subcommittees concern for coordination reversed as it viewed the problem of interagency relationships, in the early days under the ARA and the MDTA. In the spring of 1964, the Subcommittee "endorsed the leadership role of the Secretary of Labor in manpower policy." It advised the Secretary of Labor to "grasp the nettle of leadership even more firmly than in the past, both within his own department and in coordinating manpower policy formulation and program administration throughout the Federal Government."

The Labor Department was itself looking for some way to increase its control in manpower policy. Simultaneously, a committee on the utilization of Scientists and Engineers was viewing with equal concern the diversity of programs and agencies involved in the development and utilization of that portion of the labor force. The confluence of the three interests was the creation of the President's Committee on Manpower by Executive Order in April, 1964. Similar diversity in the education field brought another Executive Order the following year creating the Federal Interagency Committee on Education.

The interest in coordination in manpower programs was only an undercurrent, however, until the creation of the Office of Economic Opportunity. The older agencies could live together with only amiable sparring, breaking into a mild flurry on occasion when a blow seemed unnecessarily stinging. But the new agency represented an unknown threat with uncertain jurisdictional consequences. The Economic Opportunity Act provided for a coordination of the War on Poverty. The Economic Opportunity Council was created to perform the task at the Federal level while the Community Action Agencies were to coordinate activities at the local level. In addition, the hand of coordination was supposedly strengthened by the "preference provisions" which attempted to grant to OEO an active role in determining priorities in directing resources to the needs of the poor.

The existence of the President's Committee on Manpower, the Economic Opportunity Council, or the Federal Interagency Committee on Education, have not lessened the demand for additional coordinating mechanisms. Nearly every Manpower bill pending before the Congress at present contains language requiring improved coordination. Other legislation now pending would assign to the new Department of HUD responsibility to coordinate all Federal programs in urban areas, and the Bureau of Community Development in the Department of Agriculture is reported as willing to assume the same responsibility for rural areas.

Notwithstanding the mechanisms and interests, several types of activity have developed at the Federal level, largely within the past two years, which serve the cause of coordination. First, interagency agreements signed by two or more agencies coordinate mutual interests and in some cases specify that a particular activity which could conceivably be carried on by both will be the responsibility of one agency. Second, especially in the realm of experimental and demonstration projects, agencies have jointly funded programs at various points around the country. Third, MDTA requires that the Departments of Labor and Health, Education, and Welfare work in a tandem relationship in carrying out the provisions of that act. To keep each on target a special committee has been established to coordinate the actions and policies of the two Departments. Fourth, through the work of the Economic Opportunity Council, The President's Committee on Manpower, and the Federal Interagency Committee on Education, some efforts are being made to bring full participation by several Federal Agencies and Departments on policy and program matters. In the case of the PCOM, eight three-man teams of Coordinators representing HEW, Labor, and OEO are at work in 10 local areas, and nine more teams will expand coverage to 30 areas of the country in the very near future. Fifth, another highly significant development, is the emerging network of informal and sometimes personal relationships developing within the Federal family providing exchanges of ideas and information beneficial to all programs. This development is not exclusively a product of the past two years, but its prevalence appears to have spread greatly within the past year, a development traceable in part to the unique contributions of certain individuals within the agencies and Departments with special responsibilities for manpower programs. This latter development is extremely important and may be the most significant of all the developments even though it is the most difficult to describe and evaluate.

Each of these developing forms of coordination is worthy of exploration far beyond the limits of this paper. Perhaps a few examples will serve to illustrate each of the types of coordination activity and at the same time illustrate some characteristics common to each.

A number of interagency agreements, or treaties, have been negotiated. Most are two party agreements between OEO and other Federal Departments such as Labor, HEW, Agriculture, etc. OEO's participation in this process stems not only from its basic mission to deal with the problems of the poor, but is also traceable to the fact that many poverty programs are delegated for administrative purposes to other Federal Departments such as the delegation of the NYC to the Labor Department, and Work-Experience to HEW. Specific examples are the two agreements between the Job Corps and the U.S. Employment Service, under which the Employment Service is assigned responsibility for screening most applicants for the

Job Corps and for providing placement services for the graduates of Job Corps. One of the more significant interagency agreements is a memorandum of understanding between the Office of Economic Opportunity and the Manpower Administration in the Department of Labor, providing seven full time liaison positions to promote coordination between these two units of Government. The range of activities include:

(1) Joint review of proposed policies and regulations of either agency or issuance of joint policy statements and regulations.
(2) Issuance of technical assistance materials and provision of consultative assistance.
(3) Training of personnel.
(4) Development of comprehensive manpower programs for particular communities.
(5) Review of programs for compatibility, overlap or duplication prior to funding.
(6) Complementary or joint funding of programs.
(7) Compatible or joint evaluation of funded programs.
(8) Negotiations with State agencies.

If the spirit as well as the letter of this agreement is implemented, it will result in a high degree of coordination between OEO and Labor.

While no exact count is available, there are probably 50 or more projects which involve a joint funding by two or more agencies. Most of these are projects of an experimental or demonstration nature, though some are part of the regular operation of neighborhood centers by CAP organizations, and the YOC's run by the Employment Service. The Westminster Neighborhood Association in Los Angeles has a contract from the Economic and Youth Opportunity Agency of Greater Los Angeles under which 650 out-of-school and unemployed youths from Watts will be recruited and given 26 weeks of prevocational training prior to being referred to MDTA institutional, OJT, or jobs. The cost of this project is divided almost equally between the Office of Economic Opportunity and the Department of Labor. A project designed to provide work education for 5,000 Mississippians, Project Star, is run by the Catholic Diocese of Natchez-Jackson through some 18 centers and is jointly funded, with Labor providing roughly 20 percent and OEO providing roughly 80 percent of the total cost. Closely related to examples of single contracts with joint funding is the example of the Mobilization for Youth project in New York City which involves separate contracts with financial support from several programs to provide one broad and diversified program. Involved in this project are three Bureaus from the Department of Labor, New York City, President's Committee on Juvenile Delinquency and Youth Opportunity, the Ford Foundation, and the National Institute of Mental Health. In a number of cities the State affiliates of the USES have agreed to outstation interviewers, counselors, and testing personnel in neighborhood centers established by OEO. A variety of arrangements have been worked out for funding and supervising people under these arrangements.

The Human Resources Development Program established first in Chicago and now being established in Rochester, St. Louis, Houston, and Los Angeles, provides for OEO, HEW, and Labor to each finance a part of the total program. In Chicago, door-to-door calls to recruit program participants are made by outreach workers from the CAP and the Cook County Welfare Department. The disadvantaged are given specific appointments at Neighborhood Urban Progress Centers operated by CAP, but at which the Employment Service has stationed interviewers, counselors, and other services. Referrals are made to MDTA programs, Adult Basic Education, Work-Experience, Job Corps, NYC, etc.

All of these efforts at joint funding rest upon extensive coordination between the funding parties. No doubt a considerable expansion of this type of activity can be expected in the future.

The tandem relationship between the USES and its State affiliates and the Office of Education and its State affiliates in administering MDTA raises several problems requiring rather careful coordination. Major problems relate to the joint approval of projects, the quality and quantity of training and the extent to which each agency is fulfilling its responsibilities as seen by the other. To aid in working out joint problems a special coordination committee has been created by the two agencies. The basic problems relate mainly to the relative abilities of the agencies involved and the relationship of MDTA to regular vocational education program. Another significant problem concerns the largely unused authority given to the Secretary of HEW to by-pass the Federal-State-Local educational establishment and contact directly with private training institutions.

The newest and most unique type of coordination is an interim program initiated by the President's Committee on Manpower. A review of possible Federal action after the Watts riot of 1965 led to the creation of a PCOM Task Force to explore the coordination of manpower programs at the local level. The result of this study was an interagency agreement to create three-man teams to represent the Department of Health, Education, and Welfare, the Department of Labor, and the Office of Economic Opportunity in a joint approach to coordination of manpower programs at the local level.

As of this writing, eight teams are at work in ten areas and nine additional teams will expand the coverage to a total of 30 areas. This program should provide both better information about the coordination problem as well as some examples of alternative approaches to coordination at the local level.

The interest in and pressure for improved coordination at the Federal level is traceable to a number of fairly specific considerations. It is easier to decide what these factors or forces are than it is to decide whether some form of coordination would improve the operation of the system. Coordination is reputed to be a partial solution to a few poorly defined problems. These problems are: (1) the panoply of programs and agencies, (2) bureaucratic competition, (3) overlap and duplication, (4) information problems, and (5) the persistence of the conditions that led to the creation or expansion of the programs.

1. *The Panoply of Programs and Agencies*

The emergence of manpower policy along with poverty and education policy has raised a number of questions regarding the respective role of each. To date, no one has been able to draw clear lines of demarcation between these three policy areas or the programs fostered by each, either in terms of the clientele to be served or in terms of the methods used to accomplish their respective goals. As a result, questions are rightly being asked about the appropriate relationships between the programs and the agencies administering them. Given the uncertainties engendered by multiple policies, programs, and agencies, it is an almost inevitable reaction to think that closer coordination would improve the operation of the entire system. Programs with similar goals and objectives, directed to a clientele which does not divide itself neatly along program lines, should be integrated so that they supplement one another. This would eliminate confusion, overlap, duplication, and the gaps which might develop between programs. In this context, the task assigned to coordination is very great indeed. Here coordination is expressed as an ideal that might achieve a system substantially better than what the legislation provided. In effect, it is a request that all the weaknesses of the legislated programs be identified and corrected through joint and cooperative effort among the agencies responsible for the administration of the programs. In the negative sense, it is an expression of a desire that all sources of embarrassment be found and kept within limits.

These general fears are based upon certain specific problems which are most often referred to only in private off-the-record conversations. First, there is a fear that the various agencies responsible for administering the programs will become embroiled in serious conflict with each other. On the other hand, some believe that competition is required between agencies and programs to provide an incentive for administrators to take initiative, to be inventive and creative in applying a congressional mandate. Agencies should not seek to differentiate their products simply for purposes of differentiation or for the purpose of gaining more favorable recognition or treatment from the Administration and the Congress. However, there seems to be a full recognition that in a multiple program field the ultimate consumer (the Congress and the Administration) will reward one vendor more than another and that ultimately some agency will assume the work load of another agency. Among Government agencies this problem is as serious as it is among competitors in private industry.

2. *Bureaucratic Competition*

The positive and negative aspects of Bureaucratic Competition have not been explored adequately. Whenever two or more agencies have responsibility for operating similar programs, there is a tendency for each to try and define its jurisdiction by administrative mandate, legislative sanction, and general one-up-manship in innovating new programs and product improvements. A strong battle seems to develop for new ideas and for meaningful administrative capability to show results. In this context "coordination" becomes a matter of monitoring the actions of the competition, thereby protecting against being "caught off guard" by a new wrinkle in program operation. Here a certain amount of "coordination" is necessary simply to establish entree to information. This type of coordination has the positive advantage of learning about other's mistakes as well as possible innovations. Such coordination probably contributes to the improved efficiency of the two or more agencies involved.

Coordination in this context also serves another very useful purpose. The majority party in the Congress and the Administration are always concerned that fights within the official family might prove embarrassing. A coordination which is based upon mutual needs of each agency for information about the other tends to keep conflict within limits and promotes the outward appearances of cooperation as a strategy calculated to produce the best knowledge about other programs.

As Government assumes a larger and larger role within the society, the usefulness of bureaucratic competition needs to be explored further. Competition with "coordination" may be the key to improving the efficiency of government and provide an additional check against the abuse of administrative power. It is hard to define the role of coordination in any precise sense in relationship to this problem.

3. *Overlap and Duplication*

Another specific fear emerging from the multiplicity of programs and agencies is that efforts will overlap, or, that in the struggle for supremacy in the hierarchy, outright wasteful duplication will take place. There is a general feeling that a manpower program for disadvantaged persons involves a number of component parts which can be variously classified but which might be referred to as including (1) outreach or recruitment, (2) screening and testing, (3) counseling, (4) basic education or prevocational training, (5) vocational training, (6) job development, (7) placement, and (8) follow-up.

Viewed in this manner, it becomes clear that a number of institutions at the local level have been carrying out component parts of a manpower program in varying degree for fairly long periods of time. Employment agencies, public and private, have tended to specialize in some of these functions, and the schools and training institutions have carried on in varying degree all of the functions identified as component parts of a manpower program.

The principal issue that arises is whether when manpower programs are initiated or expanded prime responsibility should not be fixed for each of the components to take advantage of specialization and to present to the local community a single agency responsibility. There are a number of very serious problems which arise in this area which cannot be fully explored here. One problem concerns the maximum use of existing facilities prior to contracting for new facilities. A second issue concerns the staffing of new programs by raiding people from existing agencies. A third relates to the desirability of building in a single agency the specialized capability to perform the function. Fourth, there are always problems of administrative and overhead costs associated with multiple functions.

It is common to say that the overlap and duplication problem has probably not been serious to date simply because total resources fall short of meeting the total problem. Hence all programs can operate without overlapping or duplicating each other's effort. From an organizational viewpoint, however, there is an overlap in the performance of the functional components of the program.

Assuming that efforts are successful and that resources are increased so that the pool of people to be helped ceases to grow in size, then we could expect problems of overlap and duplication to develop. There have been isolated instances to date where two programs seemed to compete for the same persons, or the same training facility, or the same counselor, etc. Because the development of job opportunities with employers and the actual placement of persons in jobs ranks highest in the ladder of accomplishment, there is a tendency for all agencies operating manpower programs to engage in this activity. Some employers have already complained about the number of organizations or agencies making regular contacts requesting jobs for graduates of the various programs. In some instances three different agencies have contacted the same employer seeking to place in a job a single individual.

4. *The Information Problem*

With new programs and with expanded programs sporting new provisions, an attempt has been made to provide information to prospective clients, employers, unions, and program administrators. To date this effort has been far from successful. From all quarters there are reports of confusion and lack of understanding about individual programs, but more particularly about the total program available to any community. Undesirable bureaucratic competition or overlap and duplication may occur simply because some person or group is not aware of what others are doing or what they can do.

Coordination, it is often said, is needed to provide a one-stop shopping center where those interested can learn about the total picture and about any program. Whether coordination can in fact solve this problem depends on whether the problem is one of lack of information, or whether it is a problem of inaccessible information. The two are not the same. We are inclined to think that program administrators have been so busy operating programs that too little attention has been paid to the dissemination of understandable information about programs. Closely associated with this is the fact that government pamphlets and brochures do not compete well for interest and attention in the modern communications world. If we are correct, then simply coordinating the distribution of presently available information, while undoubtedly helpful, will not accomplish all that is implied when the plea is made for coordination. If the problem is one of inaccessibility of information, then closer coordination should make possible the single stop shopping center.

5. *Persistence of Problem*

The persistence of serious needs for manpower development even after programs have been operating for some time calls forth another plea for coordination. This suggestion has two sides to it. On the one hand, there is a feeling that more of the total problem could be met through a streamlined approach in which all programs were fully coordinated in a joint effort. On the other hand, some feel that criticism of the programs on the grounds that they have not solved the problem could be shared and political protection for each program improved through a coordination of efforts. In this case, no one program would be singled out for more than its fair share of the criticism.

One can hardly argue against improved efficiency through coordination in ways that would facilitate assistance to more persons at lower cost than would otherwise be the case. It is necessary to recognize however that coordination can also become the means for further delays, unnecessary red tape, and a means for holding back programs that might otherwise be more innovative. Consequently, what is called for is a coordination that clearly improves the capability of the entire system.

III. *Coordinating Manpower Programs at the Local Level*

The usefulness of a manpower program can be tested only at the labor market level. Does it increase the employability and incomes of people? Does it increase the viability of the economy? How much at what cost? These questions cannot be answered for the Federal programs in isolation. A labor market must provide jobs for its people and people for its jobs. It must educate and train to develop skills. It must assure that the jobs and people know of each other and fit each other. Involved in the process are individuals, families, the school system, employers, unions and many other community institutions. Federal programs provide important but marginal assistance. At the local level, the pertinent questions are (1) Are the Federal programs organized in the best way to provide the intended assistance? (2) Is the local community capable of receiving and using the assistance effectively?

Much of the recent pressure for better coordination among manpower programs has arisen from the local level and its realism must be assessed. Some of the demands have stemmed from contests among Federal, state and local agencies over who should have the major role in assisting the assigned clientele. The appearance of new programs has upset traditional community power structures, just as it has traditional Federal jurisdictions. Some Federal programs have established direct relationships between Federal agencies and the local clients, bypassing state and local institutions. Others have provided new patronage to grapple over. The Community Action Program has encouraged the rise from among the poor of challengers to the local power structure. More important has been the frustration at the intransigence of the task of bringing jobs and income to those at the back of the queue and adapting their abilities to the demands of the economy. In these cases, the need for coordination becomes a whipping boy to vent other frustrations.

But beneath these more superficial manifestations are some real problems and issues. Communities are beset by overwhelming problems—burgeoning populations, increased demand for excellence in education, rising welfare roles, increased congestion, deteriorating housing, racial unrest, rising expectations, inadequate resources. Federal programs sometimes contribute to unrest by unfulfilled political promises.

Confronting this panoply of problems is a frequent scarcity of initiative and leadership and an omnipresent scarcity of knowledge and of resources. One of the many promising aspects of our society is the number of people who find satisfaction and apparently adequate incomes in public service. Nevertheless, the outselection process works efficiently in draining leadership from the areas of least opportunity and greatest need. The Federal government has no supermen but it has access to broader experience and greater resources. The major question in the local application of Federal programs is who is most capable of effectively applying Federal programs to local problems? Should the Federal agencies enter local communities to plan and carry out manpower programs or should the Federal government confine itself to the provision of program resources from which local manpower agencies can pick and choose in designing and conducting their own manpower programs?

Both systems exist at present. A few particularly sophisticated cities exercise the art of grantsmanship with impressive effectiveness. They define their own needs, follow congressional and administrative developments, are aware of every Federal program. They study granting and contracting procedures and from Federal resources put together packages shaped to their needs. But this requires both a progressive political structure and a reasonably united community. Less sophisticated communities—the vast majority—are confronted with a confusing multiplicity of agencies, programs, forms and procedures and never find access to the handles to turn on the Federal spigots.

The alternative and coexisting model is to extend Federal agency lines into the local community, providing each program but extending the Federal fragmentation. The Labor Department operates through the Employment Service, the Office of Economic Opportunity through its Community Action Agencies, the Office of Education through the State Vocational Education systems and the Division of Public Welfare through local public assistance agencies. There is squabbling, there are delays, there is duplication of effort but there is also movement and people are served. Often representatives of each agency share office space in a neighborhood center but report directly and solely to their funding parent agencies, hardly knowing what the other is doing. Progress is made and deals are worked out, but coordination is lacking.

It is not difficult to conceive answers to the Federal fragmentation of manpower programs but it is difficult to rewrite history. If one were restructuring the Executive Branch in light of present activities, one would doubtless create a Department of Human Resources, subsuming the Office of Economic Opportunity, the Office of Education, the Vocational Rehabilitation, and Public Assistance Administrations from HEW and the Manpower Administration of the Department of Labor. It is not impossible that something like this might happen someday but the thought has little to offer in present issues. More practical, (1) the minimum proposal that a handbook be prepared describing all programs of education, manpower and poverty assistance, their eligibility rules, and contracting and granting procedures, or, (2) more desirable, one that a Federal executive be stationed in every State or major metropolitan area having allegiance to Federal manpower policy rather than a simple operating agency and with the authority to act as Federal manpower agent representing all Federal manpower programs at the local level.

Unification of the Federal manpower agencies would not solve the coordination problem, however. Local institutions are even more fragmented and any absence of competition among them is only lack of aggressiveness. Local manpower activities must encompass individual workers and employers, but it also includes local representatives of each Federal agency and each local counterpart in education, employment services, public welfare and often health *plus* all of the private agencies in each of these fields. Just as local officials find themselves confused by the panoply of Federal programs and agencies, Federal officials find themselves lost in the morass of local institutions. One city is reported to be a "fragmented metropolitan area, split up into nine counties and countless municipalities. There are more than 18 unified school districts within the area, 11 Community Action Agencies, and 9 Departments of Social Welfare. Each city and county has its own peculiar way of dealing with manpower and poverty problems, each has its own sphere of influence, and each is highly sensitive to "outside interference." Within local jurisdictions, public and private agencies vie with one another for power and influence and for their "fair share" of the Federal dollar."

In another city "roughly 31 different State, city and private agencies are conducting one or more elements of manpower programs for out-of-school persons. Programs operate with little if any relationship to each other. There is no effective mechanism for insuring that individuals in the 16 critical geographical areas can secure the necessary training and services for moving up the ladder to worthwhile employment. The problem therefore involves establishing goals, priorities and targets based on available funds and a system which will provide the linkages or bridges among the various program elements." In a third city ". . . far too many manpower programs are planned and operated in too great a measure of independence and isolation. In consequence, their effectiveness is seriously inhibited. There has developed hostility and acrimony between some agencies and individuals who, in fact, need each other's good-will and help in achieving their own manpower program purposes."

Thus it becomes clear that unification of the Federal manpower agencies would not solve the coordination problem. The Juvenile Delinquency program first attempted to pull all of the youth-service agencies of its target cities together into a concerted effort. The Community Action program built upon this approach in an attempt to bring into united action all the diverse groups in the poverty fight. Thus far, at least, the question of appropriate participation by the poor and the consequent pushing and hauling between the Establishment and the insurgents has prevented meaningful planning and concerted action.

The Manpower Development and Training Act directed the establishment of local manpower advisory committees designed to involve interested community groups in training decisions. The simple program focus is too narrow to be meaningful to community manpower policy. Yet, the committees have, for the most part, proven themselves unable to add to the success of even that single program. A description of one committee in one city is illustrative: This ". . . committee is faced with what may be an almost impossible task of reacting to MDTA projects (Institutional and OJT) submitted from a potential of 76 cities and towns. . . . committee members are not clear as to their functions and responsibilities . . .

during the monthly meetings, the committee members can only react superficially to the occupational and geographical areas to be served and the number of trainees to be involved."

The resources invested in manpower programs are small and the programs really experimental. It is possible to argue that little is lost from the multiplicity and that, indeed, diversity is a key to successful experimentation. It is equally possible to argue that limited funds must be dispensed more carefully than plentiful ones. Both present models—sophisticated local selection and extension of Federal activity into the local community—tend to short-range approaches and adaptation to program availability rather than community need.

Another alternative would appear to be Federal encouragement and technical assistance to community-wide long range human resource planning. Communities have little control over job creation but considerable over the development of their human resources. With adequate cooperation among various elements of the community, the task of matching skills to manpower requirements over time and occupations could be accomplished as well. The federal government has resources and experience but not long-term knowledge of and interest in, community needs and prospects and the allegiance of community institutions.

Regardless of the source of the pay check, people living in communities must run community programs. The preferable approach would be for the Federal Government to promote local human resource planning, provide technical assistance in that planning and unify itself to present to the community a common and readily identifiable source of resources and advice.

Two unified community structures appear to have merit. One would involve reorganization of State or city governments to subsume all manpower, education and social welfare functions into a single manpower planning or human resource department or administration. The other would be an autonomous manpower development institution, similar to a college or university, with its own board of trustees drawn from within the State or community acting as contractor to Federal, State or local programs. In either case, all Federal funds or assistance would channel through the agency or institution, preferably through a single Federal executive assigned to the State or community with all subordinate units of government or private institutions acting in relation to that single manpower administration or institution.

However, structures do not run without people. Few communities can muster the administrative ability and technical know-how for effective manpower planning. Knowledgeable administrators and technicians in the manpower fields are scarce even at the Federal level. An internship program to open career channels and expose emerging manpower specialists to the best in Federal and local practice, would increase long run effectiveness whatever the governmental structure involved.

IV. *Summary and Conclusions*

Coordination is only another term for the basic principle that in any system with multiple parts some effort is required to harmonize in a constructive fashion what otherwise might be discordant activities. This is the central task of management, whether in government or in private industry. Government, like industry, is largely a series of highly decentralized operations, each with its own unique tie to the Congress and "The Administration." The positive role of coordination is to improve the efficiency of the entire system being coordinated, either by removing the threat of discordant action, or by improving the efficiency of each of the component parts of the system through joint planning, application of common policy, or through agreement on the tasks to be performed by each part within the system.

Manpower legislation was not enacted with the view that each piece of legislation or that each activity of the agencies performing manpower functions were in some way part of a total system. Rather the legislation developed in a piece-meal fashion as the Congress focused on a series of apparently discrete problems. Program content is unrelated and overlapping. The administrative structure was determined by existing bureaucratic jurisdictions and political acceptability. Eligibility and procedures are as diverse as the authority.

Coordination among Federal manpower programs is impeded by the fragmented organization of both the Federal givers and the local receivers. The goals of some, though not all, of the Federal manpower programs are reasonably clear. Little if any attempt has been made to define the overall goals of U.S. manpower policy. As a result, there is no standard by which to evaluate one program in relation to another and assess the consistency among their goals. Neither at the Federal nor the local level is there a single agency capable of assuring that consistency. But more than consistency is at stake. A local agency seeking Federal financial assistance to meet its employment and manpower needs confronts numerous bureaus and departments each having a piece of the action. Nowhere is there a single source of information concerning the assistance available or the procedures for obtaining it. Sophisticated communities know how to use the system and tend to get a disproportionate share of the Federal funds. Less sophisticated ones, often in greater need, may not know of all the programs, let alone be able to manipulate the handles to turn on the Federal spigots.

The communities are no better organized to take advantage of available Federal assistance. The number of state and local governments, schools and other institutions involved in a community far exceeds the number of Federal services. Rarely does a meaningful community organization exist involving a broad spectrum of community interests. Failure to engage in community-wide planning means that the total program in a community is oriented to the availability of programs rather than to community needs. The fragmentary Federal programs do not yet constitute a comprehensive manpower policy and are most meaningful when used to supplement a selective local manpower plan. Yet few communities have the initiative, the expertise and the organization for such planning. Communication among interest groups within communities is often poor if not non-existent. There is little internal pressure for cohesion; if it comes, it must come from outside.

Federal manpower programs were designed to supplement rather than replace the total complex of individuals, households, employers, schools, unions and other institutions which make up the manpower process. Therefore, the programs can be most effective as a part of an overall community manpower plan. However, communities, in general, lack knowledge, resources and technical ability, while the Federal government lacks rapport and acquaintance with local problems. Successful manpower planning at the community level will require Federal-local partnerships. The Federal contribution will be motivation, resources and technical guidance. The community will furnish the analysis of problems, the inventory of resources, the clarification of goals and the generation of consensus. Both roles can be furthered by legislative and administrative restructuring. It is the natural Federal tendency to, on the one hand, shape new programs to existing institutions and, on the other, to impose Federal power when local institutions appear inadequate. Relative to the size of the problems they confront, all of the manpower programs are at an experimental level. It is an appropriate time to experiment with encouragement of local manpower institutions while simultaneously pursuing rationalization of the Federal manpower structure.

There is no real excuse for the fact that there has been so little coordination. The fact that the programs were experimental is no excuse, for if the programs were truly experimental then there should have been some monitor agency set up to evaluate each of the programs. The key to the effectiveness of the coordination of the Vocational Rehabilitation Administration was the fact that it was an evaluative agency on whose approval the supply of funds to the operating agencies depended. There must be an evaluative arm if coordination is to be carried out today. One such way might be to put the funds allocated to all these different agencies together into a manpower budget. The method of fund-granting can definitely be used to coordinate manpower programs.

THE COORDINATION OF MANPOWER POLICY

Discussion

The main discussants of the paper by R. Thayne Robson and Garth L. Mangum were Lawrence O. Houstoun, Jr., presently of the Department of Agriculture and formerly Associate Director of the New Jersey Office of Economic Opportunity and Richard A. Lester, Professor of Economics at Princeton University. Mr. Houstoun's comments were summarized from his remarks.

Lawrence O. Houstoun, Jr.: In order to have effective coordination, there must exist an agency that is above the agencies it is trying to coordinate. It must have the power to issue directives to and evaluate the performance of the lower agencies and it cannot do this if it is competitive with the other agencies. Competition is not bad *per se*; it must be viewed within the perspectives of the alternatives. On the other hand, competition with some type of control can in fact be very valuable. Coordination is primarily aimed at avoiding the embarrassment of duplication, not the cost. The cost is relatively low.

At the local level, there have been numerous experiments to effect some coordination, but all have not been so successful as that of New Haven. Common data, personal contact among the administrators of the different competing agencies, even common coffee breaks, can, however lead to great advantages and avoid duplication, even if the coordinating agency is not particularly skilled at grantsmanship. In rural areas, it has been found helpful to center the various welfare agencies in the local educational institutions. Further coordination and centralization is impelled by political preference for fragmentation.

In commenting on the Robson-Mangum paper, Professor Lester concluded the conference with the following statement.

Richard A. Lester: The Robson-Mangum paper gives a detailed and realistic picture of present conflict and confusion in the manpower field. The authors deserve our thanks for the care and frankness with which they analyze the current situation and its serious shortcomings.

The remedies proposed, however, are weak and unconvincing. A single Federal manpower agency is dismissed as having "little to offer in present issues" although it "might happen someday." Instead the authors suggest a "handbook" as "more practical" at the national level, plus perhaps in each State and major metropolitan area a single Federal manpower agent representing all Federal manpower programs through whom all Federal funds would funnel.

The chief structural reforms that the authors appear to support are either (1) that State and local governments reorganize so that "all manpower, education and social welfare functions" are in a single department, or (2) that a new kind of manpower authority be created in each State and metropolitan area, which would be "similar to a college or university" and would become the channel for Federal manpower funds to be allocated to the State or metropolitan area.

The notion that structural reform for purposes of unity in manpower activities should come first at the State and local levels seems politically unrealistic and intellectually wrong. Clearly the national level must provide the main elements of direction and leadership in the manpower field. That has been the experience in every country. Fragmentation at the Federal level cannot help but create disunity down the line. Also, the political, institutional, and personnel obstacles at the State and local level to a rationalization of all manpower activities and their organizational structure are considerably greater than they are at the Federal level.

Unity and coherence in manpower programs must start at the national level, and we should begin by thinking first about substance and then come to structure. Program objectives should determine administrative arrangements and not the other way around.

Experience in this and other countries suggests the wisdom of approaching the organization and reorganization of manpower programs from a fairly broad and long perspective.

To begin with one should ask himself where he would like the program to be five years hence and not be guided just by thoughts about the next month or the next year. A national manpower program should be conceived largely in long-range terms, as meeting a permanent set of needs. It should not be just a collection of shifting, piecemeal programs varying markedly with election results or with small changes in the economic indexes.

Second, manpower activities should be part of an over-all program for full use of the nation's resources. Manpower planning and administration should not be something apart from the general economic program of the Federal Government, but rather should be geared to over-all economic goals. For many years, Sweden has pursued a well-considered manpower program, developed with organized labor and management, aimed at a certain small amount of unemployment above the absolute minimum level of frictional unemployment, with the manpower program geared to absorb the extra unemployment through subsidized worker training, worker relocation, emergency public work, employment-training in sheltered workshops, and so forth.

Third, the manpower program must be fully integrated in its planning and implementation with general public school education, with vocational education, with programs of public spending, and with other programs that have an important manpower component. The development and planning for work careers should begin in the high school, and the transition from school to work should be much less abrupt and unplanned than it has been, as I explain in my recent book on *Manpower Planning in a Free Society.*

Fourth, organized labor and business management need to be brought more fully into the planning and implementation of manpower programs, especially at the national level but also locally. Both can be most helpful in designing programs, in gaining public acceptance, and in reorganizing the structure to achieve more unity.

In my opinion, we will not come close to solving the coordination problem in the manpower field until we acquire a comprehensive conception of the country's manpower needs and possibilities and we have a better understanding of interrelationships in this field. Nevertheless, progress toward coordination and structural reorganization does not need to await a new level of achievement in manpower theory.

Clearly, one reason we are not further along toward a comprehensive and coordinated program is that the Manpower Reports of the President have been deficient in providing the intellectual foundation for an integrated manpower program. The Manpower and the Economic Reports of the President should be much more closely integrated, and the Manpower Report needs to focus more heavily on long-range policies and comprehensive programs of human resource development.

Given a well-rounded conception of the manpower program and a body of theory about interrelations in the labor force and between manpower and other economic variables, the case for an over-all manpower unit directly under the President seems most convincing. I would conceive of it along the lines of the National Labor Market Board in Sweden, with representation from labor and management and with all the manpower agencies and powers under its general supervision. There is no need to explain in detail the organizational structure and the policies and powers of the Swedish Board and the 25 County [State] Labor Market Boards.[1]

Certainly any central manpower agency at the Federal level would need to fit the political and economic circumstances in this country. Conditions in this country are very different from those in Sweden. But study of experience in other countries seems to point to one clear lesson for manpower activities in any country. The lesson is that there will be serious and frustrating problems of coordination and comprehensiveness in the manpower field until some kind of over-all agency with proper authority and adequate staff is established at the national level. That does not mean merging the Departments of Labor and Health, Education and Welfare, but it does mean a single unit that has authority for manpower planning, policies, and program development and integration, so that the Federal Government is not at war with itself in the manpower field.

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[1] They are discussed briefly in my book, *Manpower Planning in a Free Society*, Princeton University Press, Princeton, N.J., 1966, pp. 90-93.

LIST OF PARTICIPANTS

N. M. Albertson
  Union Carbide Corporation
Curtis C. Aller
  United States Department of Labor
L. L. Armantrout
  American Telephone & Telegraph Company
R. Donald Armiger, Jr.
  First National City Bank
Orley Ashenfelter
  Princeton University
E. Wight Bakke
  Yale University
Thomas B. Bartel
  The Quaker Oats Company
LeRoy G. Baum
  New Jersey Bell Telephone Company
Hazel C. Benjamin
  Princeton University
Monroe Berkowitz
  Rutgers—The State University
Marver H. Bernstein
  Princeton University
Meyer Bernstein
  United Steelworkers of America
Charles Berry
  Princeton University
John H. Bloomstrom
  The Procter & Gamble Company
Frederick M. Bohen
  Princeton University
William G. Bowen
  Princeton University
Robert F. Bowers
  Chrysler Corporation
Robert E. Brick
  Koppers Company, Inc.
J. Douglas Brown
  Princeton University
Otis Brubaker
  United Steelworkers of America
G. James Brucia
  American Cyanamid Company
William K. Carothers
  FMC Corporation
Frank H. Cassell
  United States Department of Labor
Frank L. Cavan
  Ford Motor Company
Jack Chernick
  Rutgers—The State University
John R. Coleman
  The Ford Foundation
John J. Corson
  Princeton University
Rudolph Corvini
  Socony Mobil Oil Company, Inc.
Arthur J. Corazzini
  Princeton University
Arthur N. Curtiss
  RCA Laboratories
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  Princeton University
H. D. Dodge
  Western Electric Company, Inc.
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  Harvard University
Earl L. Engle
  Union Carbide Corporation
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  United Progress, Inc.
L. Fenninger, Jr.
  Bethlehem Steel Corporation
J. Burkham Ferris
  New York Life Insurance Company
James C. Finch
  American Can Company
Thomas A. Finegan
  Princeton University
Fred C. Fischer
  Macy's New York
Marcia Freedman
  Columbia University
Raymond W. French
  Princeton University
Stanley L. Friedlander
  City College of the City University of New York
Roger H. Fulton
  Standard Oil Company (New Jersey)

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- Marjorie W. Geerlofs
  - Bamberger's New Jersey
- William Gomberg
  - University of Pennsylvania
- R. C. Good
  - Sears, Roebuck and Company
- Tracey L. Gray
  - American Telephone & Telegraph Company
- Frederick H. Harbison
  - Princeton University
- Peter Henle
  - United States Department of Labor
- Henry W. Heunemann
  - Thomas Edison Industries
- Lawrence O. Houstoun, Jr.
  - United States Department of Agriculture
- Lemuel B. Hunter
  - Inland Steel Company
- C. A. Hurford
  - RCA Laboratories
- Martin E. Jenkins
  - Curtiss-Wright Corporation
- Lowell F. Johnson
  - American Home Products Corporation
- William D. Jones
  - American Machine & Foundry Company
- Jacob J. Kaufman
  - Pennsylvania State University
- Joseph Kershaw
  - U.S. Office of Economic Opportunity
- Manuel Kurzberg
  - Johnson & Johnson
- Jerome S. Laud
  - Merck & Company
- Calvin R. Leish
  - Princeton University
- Richard A. Lester
  - Princeton University
- Robert A. Levine
  - U.S. Office of Economic Opportunity
- Sar A. Levitan
  - The W. E. Upjohn Institute for Employment Research
- Edward H. Luckett
  - Princeton University
- Garth L. Mangum
  - The W. E. Upjohn Institute for Employment Research
- A. J. Maruca
  - Princeton University
- Stanley Masters
  - U.S. Office of Economic Opportunity
- Scott McVay
  - Princeton University
- Frederic Meyers
  - University of California-Los Angeles
- William H. Miernyk
  - West Virginia University
- Peter Paul Miller, Jr.
  - Scott Paper Company
- Joseph D. Mooney
  - Princeton University
- Charles R. Morris
  - United Progress, Inc.
- Arnold Nemore
  - U.S. Senate Committee on Labor and Public Welfare
- George Nicolau
  - U.S. Office of Economic Opportunity
- R. A. Nixon
  - New York University
- John Oliver
  - E. I. du Pont de Nemours & Company
- Edward A. Robie
  - Equitable Life Assurance Society of the United States
- Thayne Robson
  - United States Department of Labor
- Stanley A. Rogers
  - Columbia Gas System Service Corp.
- Arthur M. Ross
  - United States Department of Labor
- John C. Sapoch
  - Princeton University
- Constantine Sedares
  - United Progress, Inc.
- Martin Segal
  - Council of Economic Advisers
- Ben B. Seligman
  - University of Massachusetts

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John E. Semmes, Jr.
W. R. Grace & Company
John C. Shearer
The Pennsylvania State University
Arthur B. Shostak
Wharton School-University of Pennsylvania
Robert W. Smith
The Prudential Insurance Company of America
Robert Solow
Massachusetts Institute of Technology
Anne Somers
Princeton University
Herman Somers
Princeton University
Harvey T. Stephens
Automatic Retailers of America, Inc.
Joel H. Sterns
N.J. Office of Economic Opportunity
Jack Stieber
Michigan State University
Herbert E. Striner
The W. E. Upjohn Institute for Employment Research
Alfred Tella
Federal Reserve Board
Lazare Teper
International Ladies' Garment Workers' Union
Harold W. Watts
U.S. Office of Economic Opportunity
Seymour L. Wolfbein
United States Department of Labor
Joseph A. Yermal
American Machine & Foundry Company
Joseph Zeisel
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